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NOTICE TO READERS: Effective 1 October, the processing indicators appearing in brackets at the start of each item in this publication will be changed. All new indicators will begin with "FBIS" to make the material more easily identifiable. Some will also indicate whether the item has been translated from the vernacular or transcribed from English.

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Further Reportage on IOSCO Meeting in Tokyo

Gaps Between Countries on Derivatives

OW2010131494 Tokyo KYODO in English 1221 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—Differences between highly regulated Japan and other major nations in derivative transactions emerged on Thursday [20 October] at a Tokyo conference of global securities regulators.

The differences suggest there is a long way to go before global harmonization of regulations and standards for cross-border trading under the International Organization of Securities Commissions (IOSCO) can be achieved.

Some 800 officials from 111 regulatory bodies from 65 nations, two regions, and two provinces are now in Tokyo for the six-day annual IOSCO meeting, the first in Asia, slated to issue a joint statement on the final day Friday.

During the second plenary session held on the fifth day, Yoshiaki Kaneko, managing director of the Tokyo Stock Exchange (TSE), said, "our great concern here is about competition for loosening of regulations" in derivative trading.

Derivatives are such advanced instruments as futures, options and swaps used to hedge risks and often conducted off the balance sheet through over-the-counter (OTC) markets. "Adequate regulations are necessary for a fair and orderly market," he said.

His comments were in sharp contrast to remarks by other speakers calling for flexible regulations to facilitate development of the derivative markets while harmonizing rules and disclosure standards to protect investors.

"Ultimately, regulations should be flexible enough to apply safeguards that are appropriate to evolving market structures, without imposing artificial barriers to structural innovation," said Brandon Becker, a senior official of the U.S. Securities and Exchange Commission (SEC).

The director of the SEC market regulation division said the growth of OTC derivatives is one of the "benefits to the marketplace and its participants."

"In the end, the demands of investors, not regulators, will determine the shape of our markets," he said.

Peter Agars, chairman of the international capital markets group and president of the International Federation of Accountants, said, "It is...Important that the regulatory regime does not unduly inhibit the flow of capital to areas of high potential value."

Meanwhile, Japan's Kaneko said, "it is a matter of trust that excessive, unnecessary regulations should be avoided, but we believe in better coordination between the cash and derivatives markets."

Kaneko also disputed the objective of harmonizing regulations amid increasing cross-border derivative transactions.

Without comparable regulations, "the so-called regulatory arbitrage, that is, a shift away from a more regulated market to a less regulated one, will take place," he said, stressing the need for globally tight regulations.

All other speakers also called for global harmonization in order to facilitate the growth of derivative markets, except for Michael Lawrence, chief executive of the London Stock Exchange.

Noting that London is the largest center of cross-border trading, Lawrence said, "I am not advocating harmonization at all costs." Even if a set of global regulations is achieved, he said, "national interpretation and speed and flexibility of the market place would limit its effectiveness."

"The process of adequate global regulation will be facilitated if we limit regulatory ambition to areas of consensus and proceed in an evolutionary way," he added.

Also underscoring such differences among IOSCO nations on unifying regulations and standards, a working party on cross-border mutual funds failed to offer any strong impetus with its report on a set of principles announced on Thursday.

The set of 10 principles is aimed at "eliminating barriers in cross-border distribution of collective investment schemes," but failed to offer any commitments in making multilateral arrangements to allow a globally free offering of mutual funds, said Charles Williams, chairman of the working party under IOSCO.

The report "did not include harmonization due to divergence of jurisdictions" among member countries, Williams said, expressing difficulties in arranging a multilateral agreement. "Multilateral understanding is a possibility rather than an actuality," he said.

He stressed that taxation is the major obstacle instead of securities regulations and industry practices, urging the tax authorities to address the issue.

Meanwhile, regulators from the developing nations showed their intention to shrug of international activities led by advanced nations amid their heightening role in global securities trading.

The IOSCO development committee of 45 developing nations has agreed to beef up their activities in a bid to catch up with advanced nations, committee chairman Guillermo Harteneck said.

"Our new objective is to create sophisticated markets to catch up with the developed nations," he said. "Harmonization is an important part" of the overall IOSCO objective, "but not for emerging markets," said Harteneck, also president of the Argentinian National Commission of Securities. "That's a problem for developed markets," he noted.

Under the agreement, he said the committee will change its name to the emerging market committee and will regularly hold meetings twice a year, with the next gathering set in Bangkok next March.

The reformed committee will also send its representatives as observers to all working parties under the IOSCO technical committee which groups developed nations, Harteneck said. Currently, representatives are sent only to one working party.

Developing Nations Seek Wider Role

OW2010134194 Tokyo KYODO in English 0901 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—Securities regulators in developing nations have agreed to strengthen their activities under the International Organization of Securities Commissions (IOSCO), aiming to catch up with advanced nations, a top official said Thursday [20 October].

The development committee of 45 developing nations decided on its "comprehensive reform" at a six-day annual IOSCO meeting that ends Friday in Tokyo, Committee Chairman Guillermo Harteneck told KYODO NEWS SERVICE. The move apparently underscores intentions by developing nations to shrug off international activities led by advanced nations amid their heightening role in global securities transactions.

Harteneck, president of the Argentinean National Commission of Securities, said his committee's name will be changed to the emerging market committee, and will regularly hold meetings twice a year, with the next gathering set for Bangkok in March.

"Our new objective is to create sophisticated markets to catch up with the developed nations," he said, departing from "harmonizing" regulatory, disclosure, accounting and other standards. "Harmonization is an important part" of overall IOSCO objectives, "but not for emerging markets," Harteneck said. "That's a problem for developed markets," he noted.

The reformed committee will also send its representatives as observers to all working parties under the IOSCO Technical Committee which groups developed nations, Harteneck said. Currently, representatives are sent only to one working party.

Regulation of Mutual Funds

OW2010142394 Tokyo KYODO in English 0354 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—A first-ever set of international principles for use by global regulators in facilitating cross-border mutual funds has been formulated at the Tokyo conference of the International Organization of Securities Commissions (IOSCO), a top official said Thursday. The set of 10 principles, which feature risk exposure and disclosure guidelines to protect investors, are aimed at "eliminating barriers in the cross-border distribution of collective investment schemes."

But it fails to offer any commitments in respect to making multilateral arrangements that will allow globally free offering of mutual funds, said Charles Williams, chairman of a working party under IOSCO.

The working party presented the principles in a 35-page report which was endorsed by the Technical Committee on Investment Management at the ongoing six-day IOSCO annual meeting, which ends Friday in Tokyo, Williams said in announcing the report.

The report "did not include harmonization due to divergence of jurisdictions" among member countries, Williams said, referring to the difficulties in achieving a multilateral agreement.

"Multilateral understanding is a possibility rather than an actuality," he said.

But Williams told KYODO NEWS SERVICE that he expects the principles to facilitate "bilateral agreements" and to become "the first stage" of global harmonization in the near future.

The principles are "highly generalized due to differences in various jurisdictions" but will serve as a "model" for those nations, particularly in Asian and other emerging markets, Williams said.

He noted that his working party is preparing an international comparative analysis of laws as a reference guide for regulators.

He stressed that taxation is a major obstacle, rather than securities regulations and industry practices, and urged the tax authorities to address the issue.

Asked about those unregulated, tax-free nations that invite fund managers to establish local bases as "tax havens," Williams said, "it's up to that nation and its jurisdictions."

The 10 principles call on regulators to:

—Have requirements as to the legal form and structure which provide certainty to investors in assessing their interest, and enable the pool of investors' funds to be distinguished from the assets of other entities.

—Seek to protect the physical and legal integrity of the assets by separation of the assets from the assets of management, its related entities and other schemes as well as from the assets of the custodian itself.

—Impose standards of conduct and minimum eligibility standards that require approval by regulatory authorities prior to commencement of marketing.

—Ensure that the level of protection afforded to investors is maintained at all times.
—Provide for a regulatory authority to take overall responsibility for the supervision of any scheme authorized within its jurisdiction.
—Recognize that an operator may have interests that, if exercised without restraint, would conflict in a material way with the interests of investors.
—Provide a system for the valuation of assets and the pricing of interests, and procedures for entry to, and exit from, a collective investment which are fair to investors as well as to investors seeking to purchase or redeem interests.
—Ensure investment restrictions, portfolio diversification and borrowing limitations that address the investment goals, the risk profile and the degree of liquidity required to meet redemption in all market conditions.
—Provide investors with certain rights, in relation to a scheme, which are appropriate to the overall context of regulation.
—Impose a disclosure requirement to ensure that there is full, accurate and timely disclosure to prospective investors, providing all the information necessary for an investor to make an informed investment decision in relation to a scheme.

Criticism Over Mutual Fund Rules

OW2110073094 Tokyo KYODO in English 0606 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Securities regulators mainly in the highly controlled Japanese market faced criticism over regulations on mutual funds during an international conference Friday [21 October].

"Exchanges and regulatory jurisdictions have to make their markets attractive to investors," Ruben Lee, director of Oxford Finance Group, said in a panel discussion held on the final day of the six-day annual conference of the International Organization of Securities Commissions (IOSCO).

"Unless there is a very strong reason for interfering, the best regulatory policy concerning market structure is to leave well alone," he said, stressing the enhanced competition among fund managers will lead to solving problems.

"Competition is self-regulating," he said.

One Japanese member of the audience countered his remarks, disputing that regulations are necessary to protect investors.

While agreeing on the need for "transparency," Lee said excessive regulations, such as requiring third-party guarantees, would prompt fund managers to depend on regulations to the point of sacrificing investment efficiency.

Another panelist, Robert Pozen, added the problem in Japan is that there are "no comparative performance standards" for investors to assess mutual funds.

"The most important thing is comparative and objective standards for comparative shopping," said Pozen, general counsel and managing director of FMR Corp., a parent company of Fidelity Investments.

In the United States, he noted that fund managers report investment results every quarter and year.

As Japanese panelist Hideki Kanda, professor of law at the University of Tokyo, noted Japan is now working to impose such regular reporting of performance along with easing regulations and tightening of disclosures.

The Japanese finance minister is now preparing these measures based on a report issued this June by a study group under its Securities Bureau.

Meanwhile, both Lee and Pozen disputed a proposal earlier this week by Arthur Levitt, chairman of the U.S. Securities and Exchange Commission, to simplify the legally required disclosure documents by fund managers to make them easier for investors to read and understand.

"That's not practical," Pozen said, noting the huge and diverse information involving risks on different mutual funds.

Annual Meeting Closes 21 Oct

OW2110110894 Tokyo KYODO in English 0915 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Global securities regulators agreed Friday [21 October] to check each other's commitments after facing various differences in hammering out a strong policy for derivatives and other issues during a six-day gathering in Tokyo.

Closing its first annual meeting held in Asia, the International Organization of Securities Commissions (IOSCO) issued a joint communique featuring a "resolution" asking members to "prepare a written assessment of their ability to provide assistance and cooperation" based on a written guidance to be prepared by the IOSCO secretary general.

The resolution "symbolized the whole conference," which produced various reports but was essentially limited to untangling guidelines stemming from diverse jurisdictions, with some even "under-regulated and uncooperative," a senior conference official told KYODO NEWS SERVICE.

Speaking at a joint press conference, Jean Saint-Geours, chairman of the IOSCO Technical Committee, declined to specify the nations concerned.

The objective is to "prepare a rating and a sense of guidance" and "to offer a program of teaching and training," said Saint-Geours, chairman of the French Securities and Exchange Committee.

Some 800 regulatory officials from 66 nations gathered at the Hotel Okura for the meeting, discussing derivatives and other issues related to cross-border transactions.

As for derivatives, the IOSCO meeting failed to offer any stronger support measures, with the communique merely introducing risk-management guidelines already published in July by the technical committee and noting commencement of a working group study on disclosure.

During both the open plenary sessions and panel discussions, speakers were generally supportive of the need for "transparency" through improved disclosure. But differences surfaced over regulation, with speakers from highly regulated nations like Japan calling for tighter rules and those from less-regulated countries like the United States and Britain stressing the need to avoid blocking the development of the free global flow of funds.

Acknowledging the "ongoing debate worldwide," Saint-Geours said the regulators must now "learn to assess risks accurately" so as to get a "better knowledge of the market" where "trillions of dollars are circulating every day." "There is no binding text at this moment," he said.

Saint-Geours cited the July guidelines as an important step, announced together with similar provisions by the Basel Committee of Banking Supervision that groups central bankers from major industrialized nations.

Meanwhile, the technical committee adopted principles for the regulation of mutual funds, as well as guidelines for regulating off-exchange automated securities trading, now spreading in the U.S. Both reports noted that they are NOT intended to harmonize regulations among members nations with diversified jurisdictions.

The gathering also failed to produce significant progress on another closely watched issue—international accounting and auditing standards aimed at facilitating multinational securities offerings and listings.

Major progress has been made over the past five years, working- party chairwoman Linda Quinn told KYODO NEWS SERVICE, noting that she would have said "decades" if asked five years ago about prospects for settling the issue. However, she said a settlement would still take "years."

Meanwhile, 45 developing nation members were given a boost at the Tokyo meeting with their status upgraded to allow for more active participation in the organization so as to catch up with advanced nations.

The development committee enacted a full-fledged reform to improve "the efficiency of emerging markets by establishing principles and minimum standards, preparing training programs for personnel of the members and facilitating exchange of information and transfer of technology and expertise," according to the communique. The committee changed its name to the emerging markets committee, and realigned its working groups to work along with the technical committee, which is led by developed nations.

The new working groups will send observers to the technical committee to enhance information exchanges, committee Chairman Guillermo Harteneck said at the joint press conference. Harteneck, chairman of the Argentinean National Commission for Securities, said harmonization of regulations and other matters are "a problem of developed nations."

Noting that developing nations lack regulations and systems, he said, "our new objective is to develop a sophisticated market to catch up with the developed nations."

During the Tokyo meeting, the IOSCO accepted Macedonia, Zambia and Luxembourg as new member countries. It decided to hold its annual conference in Paris next July, Montreal in 1996, and Taipei in 1997.

* APEC Experts Advise Study of Small Businesses

94SE0259B Jakarta KOMPAS in Indonesian 9 Sep 94 p 2

[FBIS Translated Text] The linking of small- and medium-sized businesses (UKM's) in networks with big businesses is the best way to let UKM's have a part in discussions in the global arena. To do this, studies need to be made on basic electronic database systems and on alliance strategies that will support patterns for UKM development.

These were among the results of a meeting of UKM experts belonging to the Asia Pacific Economic Cooperation (APEC) forum, which adjourned Thursday, 8 September, in Yogyakarta. The meeting, which was led by Prof. Wagiono Ismangil, chief of the Cooperatives and Small Business Research and Development Board at the Department of Cooperatives, lasted one day less than originally scheduled.

The two-day meeting of UKM experts focused on seven particular issues: training in giving the best service to UKM's, trade policy initiatives, facilitation programs of the Committee on Trade and Investment (CTI), public and commercial infrastructure, human resources, private sector networks, and finance. This was a follow-up to the meeting of UKM experts at the Second SOM [Senior Officials Meeting] in Bali in May.

The experts, who received input from a survey conducted by Taiwan on several APEC members, fully recognized that UKM development is very difficult. Such businesses face five kinds of obstacles, namely limitations in market networks, funding, management ability, technical ability, and adequate information.

On that basis, the meeting of experts recommended studies on possible "alliance strategies" between UKM's and big businesses able to speak in the global arena. That cooperation would not be limited to the industrial sector but would also be possible in other sectors, such as trade.

"The experts feel that such an 'alliance strategy' is not something that is excessive. The approval of 'standards and conformance' by APEC members will make it possible for UKM's to supply the needs of big businesses. In fact, through the agreed-upon 'uniformity,' it will be possible for UKM's to subcontract to smaller UKM's," a participant said.

So that the requirements of big businesses and UKM's will be compatible, the need was also realized for information that can be easily used by all parties. Therefore the meeting of experts recommended a study on electronic database systems that would meet that need.

Of the seven priority areas, the matter of training in giving the best service to UKM's also encompasses the aspect of agreement to develop cooperation among businesses, between businesses and government, and between government and government. Although "the best" is relative, it is hoped that cooperation in those three aspects will be developed on the basis of existing programs, such as the PECC [Pacific Economic Cooperation Conference] and APB-Net [Asia-Pacific Business Network].

The experts also agreed to do research on the best method of information service to expedite UKM market access. They also deemed it necessary to continue the APEC technology transfer program for developing and simultaneously globalizing UKM's.

The meeting of experts also considered what Taiwan has done in the UKM survey to be very useful. The experts therefore recommended that such data collection be continued as a support to the formation of a truly useful network.

As a result of the two-day meeting, the UKM experts submitted two recommendations to the SOM, which is to begin next Monday [12 September], and to the CTI. The first recommendation is on the need for classification of UKM's, which will be important as a guideline for the work of the APEC working group. UKM classification can be made on the basis of number of workers or on annual value of sales.

Another of the recommendations was the need for UKM operations to have international rather than merely domestic focus. This is important in making UKM's accustomed to speak in the global arena.

Third, the experts recommended that a study be made to get a picture of industry in the future, which will enable UKM's to have a role. "The meeting of experts felt that with a more complete picture of big industry, the form of UKM that will supply big industry requirements can be determined," said a KOMPAS source who followed the progress of the meeting.

Also, they acknowledged that the financial problem is a central one for UKM's and is difficult for governments to solve. Therefore, they presented some basic recommendations that must be given more thorough consideration. These relate to the possibility that UKM's are discriminated against by money markets, fund raisers, and various regulations.

Then, what steps can be made to improve the efficiency of the money market in order to reduce such unnecessary discrimination? Is it possible for the money market to promote UKM products, which at the same time would bring awareness of their economic potential? Recommendations were also made on the best ways to improve UKM managerial ability in obtaining funds self-sufficiently.

NGO's From 34 Countries Mull Asia, Africa Aid

OW2010132894 Tokyo KYODO in English 1243 GMT 20 Oct 94

[FBIS Transcribed Text] Okayama, Japan, Oct. 20 KYODO—Nongovernmental Organizations (NGOs) from 34 countries Thursday [20 October] opened a forum to discuss ways to make relief actions and development projects in poor countries more effective.

About 50 NGO representatives will share their experiences in responding to refugee crises, natural disasters and poverty at the '94 NGO Forum for International Contribution in Okayama, western Japan, organized by the Association of Medical Doctors of Asia.

About 1,000 guests attended a keynote speech by novelist Jakucho Setouchi, who helped to deliver medicine to Iraq during the 1991 Gulf War.

"It's impossible to believe that making international contributions is difficult," Setouchi said. "A volunteer does not only give money out of sympathy—his or her actions must also be accompanied by love," she added.

Vikandy Mambo from Zaire, where hundreds of thousands of Rwandans have taken refuge in fleeing ethnic massacres in their home country, said it is crucial that foreign NGOs cooperate with local organizations in any kind of relief activity. "I, too, have come here to learn through exchange with other experienced NGOs," Mambo said.

Japan

Government: 'No Plan' for Talks on Paper Market

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[FBIS Transcribed Text] Washington, Oct. 20 KYODO—Japan has no plan to hold talks with the United States to address U.S. concern over access to the Japanese paper market under a potential threat of trade sanctions, a Japanese trade official said Thursday.

The official, who spoke on condition that he not be named, said the Japanese Government is still "baffled" as to why the U.S. listed the Japanese paper industry as a potential target for future "Section 301" action.

The official acknowledged that Japanese imports of paper products from the U.S. in the April-July period this year shrank 8.8 percent from the year-earlier level but attributed the decline to market forces, including tight supplies in the U.S.

"We couldn't get supplies from the United States even if we tried to buy," the official said.

Japan is committed under a trade accord concluded in April 1992 to encourage Japanese firms use more foreign-made paper products, and the Japanese and U.S. Governments have agreed to review the results every six months.

A team of Japanese officials led by Joji Hashimoto, director of the Paper Pulp and Printing Industry Division of the Ministry of International Trade and Industry (MITI), held a daylong meeting with U.S. officials Thursday to review the paper pact but reported no headway on how to promote paper trade.

The meeting Thursday was the first face-to-face contact between Japanese and U.S. officials over paper trade since Washington announced Oct. 3 that Japan will be placed on the "watch list" under U.S. trade law.

That move could lead to a formal U.S. investigation and possible trade sanctions under Section 301 of the 1974 trade law.

Japanese officials insisted that Tokyo has no plan to hold talks with the U.S. to address issues stemming from the "Section 301" move, but conceded that Washington could raise the matter under the so-called "framework" process.

The framework accord, concluded in July 1993, stipulates that each country may raise trade issues stemming from compliance of past trade agreements.

According to data the Japanese officials presented to the U.S. Thursday, the sale of U.S.-made paper products in Japan has fallen behind overall imports over the past year.

While imports of U.S.-made paper products fell by 8.8 percent in the April-July period, overall imports slipped by a mere 0.7 percent, Japanese officials said.

Also, while Japan's overall paper imports rose 8.1 percent in fiscal 1993 (April 1992 through March 1993), the U.S. share in the imports increased by a mere 1.0 percent.

According to Japanese data, imported paper products—1.09 million tons in fiscal 1993—account for less than 4 percent of the annual Japanese consumption, which is estimated at around 28 million tons.

U.S.-made paper products accounted for 46 percent of the foreign market share in Japan in fiscal 1993, but the share fell to 44 percent in the first quarter of the current fiscal year.

Article Views Japan-U.S. Framework Talks

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[Article by Washington correspondents Yoshikazu Kimura and Hiroaki Ito: "Domestic Political Aims and Egoism of Industries Combine To Disrupt the Japan-U.S. Economic Framework Talks—Backstage at the Talks;" from the "Assertion and Commentary" column]

[FBIS Translated Text] Japan and the United States struck a deal at the Japan-U.S. economic framework talks on the morning of 1 October Washington time, after breaking off the talks in February. They reached a set of agreements on government procurement, insurance, and the sheet glass sector, but not on the automobile and auto parts sector, the negotiations of which were broken off. This is a "fruit" sought by the two countries for 15 months since the framework talks began. Both sides hailed the deal as a "historical accord." Looking at the stage and behind the scenes of the framework talks, however, the two countries appear to have negotiated with their respective domestic political aims taken into consideration, and their negotiations appear to have been dominated by the egoism of industries in the two countries.

"Let's Make A Deal," Says Foreign Minister Kono

In U.S. Trade Representative Kantor's office on the second floor of the U.S. Trade Representative Office, Deputy Prime Minister and Foreign Minister Yohei Kono told Kantor, "Now, let's make a deal." It was 0900 on the morning of 1 October Washington time. The final round of the framework talks began at 1500 on the afternoon of 30 September and entered a crucial phase at midnight that day.

The point of dispute in negotiations on the government procurement sector was how to express the "objective criteria" designed to measure the openness of the Japanese market.

At the meeting with Kantor, Kono said, "I am willing to strike a deal with you. But I want either the word 'achieved' or 'continual' removed from the draft objective criteria." When Kantor responded by proposing removing "achieved" from the draft, Kono asked, "Are you going to keep the word 'continual'?"

Kantor changed his countenance and then said: "It is another story to remove it. Are you going to disrupt the talks?" Kono responded: "If you remove the word 'continual' from the draft, I will make a concession to you in return. Japan will introduce a general appraisal tender system for the government procurement sector. I propose further lowering the amount of foreign-manufactured goods subject to the new tender system from the current level of 400,000 SDR (IMF's special drawing right and approximately 68 million yen)." Thus, Kono proposed expanding opportunities for foreign manufacturers to bid for goods to be purchased by the government.

Kantor pondered the offer from Kono. The United States had pressed Japan to lower the amount to 300,000 SDR several times, but Japan has refused to bow to the pressure from the United States. Kantor made a final decision. He said, "Your offer is acceptable." This was the moment when the "15-month debate on objective criteria" came to an end.

Kono's offer to lower the amount of foreign-manufactured goods subject to the new tender system was a "final trump card" that he was able to hold at the end of his effort in order to facilitate intra-government coordination back at home through Deputy Chief Cabinet Secretary Nobuo Ishihara.

The United States has insisted that the objective criteria is designed to "make an annual assessment of continual progress in the market share of foreign-manufactured goods and foreign service in the government procurement sector." With the word "continual" removed from the draft objective criteria, the nuance that Japan promises the United States to continue increasing the annual purchase of foreign-manufactured goods and services by the Japanese Government was diminished. Kono was upbeat, saying, "I earned a full 150 points."

Negotiators from the two countries struck a deal on the insurance sector at 0500 on the afternoon of 1 October. The two countries turned to negotiations on the automobile and auto parts sector. International Trade and Industry Minister Ryutaro Hashimoto, who returned to Washington from Japan on 1 October, took change of negotiating the sector with Kantor.

Kono told Hashimoto, "Now, it is your turn." Hashimoto held a meeting with Kantor. A senior official from the Ministry of International Trade and Industry [MITI] came out of the meeting room 50 minutes after the meeting began. He said: "They struck a deal on sheet glass. The two countries will be finalizing details of the deal within 30 days." The Japanese delegation appeared relieved at the deal the two struck on the sheet glas sector, which had been expected to draw trade sanction from the United States.

At 1000 on the morning of 1 October, Hashimoto cam out of Kantor's office and bowed his head to the Japanese delegation. He said: "I am sorry. Washington wil apply trade sanctions on replacement auto parts unde the 301 Provision. But it will impose the trade sanction under the 301 Provision of the Commerce Act, not unde the new Super 301 Provision."

The negotiations ended at 1000 on 1 October. Botl Kono and Hashimoto had only one and a half hours t board a plane bound for Tokyo.

Statement Issued by Japan Glass Distribution Industr Was Joint Work of MITI and USTR

The inter-governmental negotiations between Japan an the United States were under the thumb of Japanese an American industries. Senior officials from America auto companies, auto parts firms, and glass companie frequently visited the U.S. Trade Representative' Office. Officials from Japanese industries waited fo information at hotels in Washington, saying, "W wonder if our government is making excessive concessions to the U.S. Administration." Negotiators from th two countries "agreed in principle" on the sheet glas sector, the negotiations of which were expected to face rough sailing. The agreement showed how the negotiations on the sector had been influenced by the glas industries of the two countries.

At the offices of the Japan Department and the Chin Department on the third floor of the U.S. Trade Representative's Office, Ikuo Tomida, chief of the Ceramic and Construction Materials Division in MITI wa working with Division Chief Vans [name as published of the U.S. Trade Representative's Office on a "statement to be released by the Japanese glass distributio industry."

American glass manufacturers are said to be producin double-glazed glass which dominates the world market Japanese negotiators offered a model project for publi buildings using American-made double-glazed glass Lauding the offer from Japanese negotiators, America glass manufacturers lobbied the U.S. Trade Representative's Office to "refrain from applying trade sanctions' on Japan in the sheet glass sector. Their lobbyin prompted both sides to reach an agreement at a stroke

Japanese negotiators were at a loss over how to deal wit a demand from U.S. negotiators that "Japan increase th voluntary purchase of foreign-made auto parts by Japanese automakers." It was said on 30 September tha some members of Congress, who had a close relationshi with the American auto industry, pressed Kantor to "ge tough" with Japan.

At the meeting with Kantor, Hashimoto stressed, "Th government should not speak for the private sector." I reaction, Kantor and Commerce Undersecretary Garten called on the Washington office of the Japan Automobile Manufacturers Association to set a "voluntary target for purchase of $40 billion of foreign-made auto parts by Japanese automakers in the next five years." Hashimoto protested to Kantor over the request, saying, "The United States should not make such a request." Nonetheless, the United States has refused to back down from the request. The American auto industry was behind the breakdown in negotiations on the automobile and auto parts sector.

U.S. Cabinet Considered Invoking the 301 Provision of the Commerce Act Three Days Earlier

The negotiations seemed to take an abrupt turn in their final round. General scenarios for the negotiations had been prepared beforehand by both Japan and the United States.

According to a U.S. Government official, on 28 September, three days before the final round of negotiations, the U.S. cabinet considered the possibility of invocating the 301 Provision of the Commerce Act, which can be used by the U.S. administration as a legal means to apply trade sanctions on Japan, with respect to the automobile and auto parts sector. If negotiations on sheet glass were broken off at the time, the cabinet would have decided to invoke the 301 Provision.

At a 30 September meeting of U.S. negotiators held in the U.S. Trade Representative's Office, no instructions were given in connection with "trade sanctions" against Japan. U.S. Commerce Undersecretary Garten emphatically said, "There are uncorrectable differences between the United States and Japan over replacement auto parts." Many of U.S. negotiators believed that "Kantor might have already made up his mind that trade sanctions will be unavoidable."

More important, the U.S. Administration was not in a consensus on applying trade sanctions against Japan. At a 29 September cabinet meeting which was attended by President Clinton and Kantor, Commerce Secretary Brown advocated imposing trade sanctions against Japan, whereas Treasury Secretary Bentsen and National Economic Council Chairman Rubin insisted on "cautiousness" about trade sanctions on Japan, expressing their concerns over the consequences of the trade sanctions on the foreign exchange markets.

As a result, no decision was made at the cabinet meeting. President Clinton appears to have given an ambivalent instruction: "U.S. negotiators should work to reach an agreement with Japanese negotiators on the government procurement and insurance sectors. The administration, however, will apply trade sanctions against Japan unless Japanese negotiators make major concessions."

Japanese negotiators, including Kono, were prepared for a long-term battle, saying, "The deadline for the settlement of these negotiations is 30 September." Kono received a variety of information about views of the U.S. Administration and officials in the Democratic Party from senior diplomats at the Japanese Embassy in Washington and Taro Asou, deputy secretary general of the ruling Liberal Democratic Party, who was in Washington to help Kono. One piece of information said: "Kantor intends to show the president how hard he worked by negotiating with his Japanese counterparts until 30 September. The U.S. Administration aims to garner votes in the middle and southern parts of the United States in the upcoming midterm elections by scoring points in the negotiations on the automobile sector. U.S. negotiators will play a card of sanctions against Japan in the negotiations on the automobile sector."

Hashimoto flew to Washington on 7 September for negotiations with Kantor on the objective criteria for the automobile and auto parts sector. Hashimoto told Kantor, "Japan and the United States are interpreting objective criteria differently" and asked, "Would it not be all right even if the two countries dream differently on the same bed?" In this way, Hashimoto induced Kantor to an "ambiguous settlement" to the negotiations. The domestic situation in Japan and the United States was an inevitable factor in precipitating the bilateral trade negotiations.

The Japanese Government Has Yet To Make Public the Details of the Agreements Two Weeks After the Two Nations Struck a Deal

All of the negotiations ended on 1 October. At a little past 1000 on the morning of 1 October, Kantor told about 20 Japanese negotiators with a smile: "Today is a historic day. We reached as many as five agreements." The "five agreements" referred to by Kantor were insurance, sheet glass, telecommunications, and medical equipment in the government procurement sector and NTT [the Nippon Telegraph and Telephone Corporation].

At the prime minister's official residence on the evening of 2 October Japan time, Prime Minister Murayama was meeting with Kono and Hashimoto. Murayama thanked Kono and Hashimoto for their hard work and offered a toast to them, saying, "This deal is a great achievement for our nation and the Murayama government."

The two nations avoided breaking off the framework talks. How will Japan-U.S. relations change from now on? The State Department was overshadowed by the U.S. Trade Representative's Office that played a central role in negotiating with Japan on bilateral trade issues. A senior State Department official said: "The negotiations were held to save face and demonstrate will. We do not want to see Japan-U.S. relations where Japanese newspapers print everyday Kantor's photo."

Two weeks have passed since the two nations reached a set of agreements in the framework talks. No details of the agreements have been made public and no Japanese version of the agreements translated by the Japanese Government has been made public.

U.S. Company Seeks Halt to Sale of Product

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[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—A U.S. biotechnology company applied to the Tokyo District Court on Friday [21 October] for an injunction seeking to prevent a Japanese pharmaceutical company from importing and selling a product used in the detection of hepatitis c.

California-based Chiron Corp. is in the process of applying for a patent for its product and alleged in the suit that the Japanese company, Kyokuto Pharmaceutical Industrial Co., is violating its right to provisional protection under copyright laws by selling a product which imitates its own.

The Japanese company is importing a similar product from another U.S. manufacturer and placed it on sale in spring 1993 as a blood screening set for use in blood transfusions.

But Chiron claims in its suit that in 1987 its deciphering of the genetic structure of the hepatitis c virus enabled it to produce a product for use in detecting the presence of the virus. The company applied for a patent in Japan in 1988 and was granted provisional protection in November 1993.

It said the product that Kyokuto Pharmaceutical Industrial is marketing violates this right to protection by duplicating its original discovery. Chiron has its own representative marketing its products in Japan. A spokesman for Kyokuto Pharmaceutical Industrial said he has not seen the details of the suit and cannot comment.

Trend Toward Abolishing Security Treaty Seen

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[Article by Takashi Ino, international journalist: "The Move Toward 'Abolishing the U.S.-Japan Security Treaty' Can No Longer Be Ignored"]

[FBIS Translated Text] For now, the Japan-U.S. economic framework talks are on their way to a conclusion by the end of September. The Clinton administration has readied its plan for getting the Japanese side to pledge significant increases of foreign goods in Japanese markets and for annually measuring the status of increases compared to the year before. If agreement is reached, Japan-U.S. relations should move toward normalization, with the current highest concerns having been resolved. However, it seems that it actually will move in the opposite direction. The United States is reconsidering the Japan-U.S. alliance relationship and is already on a course toward abolishing the Japan-U.S. Security Treaty, and it does not seem to be able to depart readily from that course.

First, let us try citing major reasons that Japan-U.S. relations would weaken.

- To the U.S. side, Japan's promises in the economic framework talks are taken as "the government's public commitment," and it uses this an excuse for sanctions against Japan if there is no broad increase in the market share for foreign goods.

The Japanese side rejects cooperation with the United States in dual-purpose military and civilian high technology.

The Clinton administration asks to have U.S. business join in Japan's official developmental assistance (ODA), and Japanese business strengthens its opposition to this.

Japan and the United States are unable to cooperate on international financial markets. The United States manipulates the yen-dollar market just for its own convenience.

Japan and the United States scramble for shares of such Asian markets as China.

Japan and the United States are unable to coordinate on such basic Asian policies as human rights and democracy.

The Japanese side is unable to accept increases in its share of the costs for the U.S. Forces in Japan.

Public opinion of the Japanese toward the United States and of the U.S. public opinion toward Japan worsens.

All of the above are either already happening or an environment is being created which is preparing the way for that.

Toward "Confrontation" Whichever Way It Goes

As to the economic framework talks, the U.S. side had twice extended the time limit for sanctions against Japan based on Article 301 of the Trade Act over the issue of government procurement, and a third time limit was approaching at the end of July. And yet, from the outset the U.S. side has not been in a mood to act on it in earnest. Top officials of the USTR [U.S. Trade Representative] office had scarcely pulled together a schedule for the Japan-U.S. talks, and it was the Japanese side that was in a flurry. In mid-July, to catch his counterpart, deputy USTR Barshevsky, Foreign Ministry Councilor Hayashi and his party even went so far as to fly to Hong Kong where he was staying.

After that, a wrap-up meeting of deputy-level Japanese and U.S. officials was held in Washington in late July, but both sides put off a settlement because "the time limit is nearing under Super Article 301 of the Omnibus Trade Act for specifying unfair trading nations," but they unofficially agreed to reach a settlement in late

September. Under the U.S. side's concession, specific numerical targets would not be set and it came down to using the vague expression "significant" for measuring increases over the previous year. For the Clinton administration, from the outset, the agreement was just for a dramatic effect because it would be unable to get the support of powerful democratic congressmen unless it contained huge concessions from the Japanese side. For its part, the Japanese side would get almost nothing from rushing an agreement on government procurement by the end of July. And, it will go on to contend with talks on insurance, autos, and auto parts.

In fact, the Japanese side has flaws in government procurement. And extreme example is the case of "the obsolete NEC personal computer procurement" by the Ministry of International Trade and Industry [MITI]. Alleging that the price was extremely low under competitive bidding, MITI bought a large number of old model NEC 98 notebook computers. According to a check by the industry on the U.S. side, preparation of the bidding specifications was entrusted by a MITI official to an NEC staff member. For the preparer of specifications and the procurement source to be one and the same is a conjoining such as seen in a developing nation. The price was quite good, but the machine is weak in multiple applications other than the word-processing function and is a useless white elephant with which one cannot even create a personal-computer network within the Ministry. So, it has become an issue even within the Ministry. Given such an incident in a government agency responsible for high-tech industries, we will not be trusted no matter how much we spell out how "Japan's government procurement procedures are fair." We cannot help being criticized for having policies protecting manufacturers. Even other Japanese firms in the industry coldly see it as "NEC having cleverly found a place to dispose of an old model of which it had a huge inventory."

In the end, at the deputy-level meetings in Washington a tense scene was created between Japan and the United States over an end-of-September timing for Super Article 301 designation. After all-night negotiations the two sides settled for a "political decision," the U.S. side having tacitly opted for the scenario of deferring its application of Super Article 301 to Japan. Until then, August had been fully taken up, even with issues such as the Japanese and U.S. negotiating teams taking summer vacations.

Yet, the possibility still exists of a settlement not being reached. "Significant" can be interpreted as "igi no aru" [having significance] or "imi no aru" [having meaning], but in the original language it includes nuances of "substantial" and "important." Their not using the term "substantial" was out of consideration for the Japanese side's resistance to this very thing becoming a numerical target. To eliminate the ambiguity, the U.S. side would compare market share for foreign goods in other G-7 nations and try to attain increases having significance as compared to the previous year. By contrast, the Japanese side sticks to trying to weaken the expression to the extent possible.

President Clinton will not lightly accede to such a vague agreement.

The U.S. Congress has mid-term elections in November. Japanese issues are not conspicuous, overshadowed by debates on bills to reform the health insurance system, but below the surface is the aspect that the USTR must deal with powerful Congress members.

According to people in the U.S. Government, the reason the Clinton administration agreed to reviving Super Article 301 in the first place was that the Senate Finance Committee's International Trade Subcommittee Chairman Baucus, who held the key to Congress's passage of the NAFTA agreement, had a deal with the President. This time, applying Super Article 301 to Japan is similarly entwined with passage of the Uruguay Round agreement. The bill on the new round agreement reflects the rise in status for GATT's World Trade Organization (WTO), which the Congress most dislikes, and other multinational agreements limiting such bilateral arrangements as Article 301 and Super Article 301. So, persuading Congress will not be easy for the Clinton administration.

In short, even if the framework talks reach agreement, it will provide a new arena for Japan-U.S. confrontations; and of course, the confrontation will worsen if the talks break down.

Into "Cold Peace" Relationship

How did Japan and the United States become so bogged down? It is not merely because the U.S. administration's negotiators consist of former lawyer amateurs like USTR Kantor. Nor can it be explained only by Japan's political situation being in flux or its lack of political leadership. Having a bureaucratic leadership style is not something that began just recently.

Basically, it is because the way leaders in various U.S. circles see the times has changed and because the priorities of national strategy there have shifted from military to economic affairs. With the collapse of the Soviet Union, the United States became the world's sole hegemonic military power, and yet the position of that hegemonic nation in fact is menaced by economic superpower Japan. So, it has turned its gaze to economics and is trying to uphold its hegemony by overpowering others with its industrial competitiveness, exports, and investment abroad.

The relative decline in its economic strength was proceeding also at the time of the Reagan-Bush administrations, but its political concerns were mainly with military affairs. However, the bill for that years-long priority to military affairs has come around to the present generation and oppresses the nation in the shape of the cumulative budget deficit, unemployment, and increases in crime. By the late 1980's its competitiveness had weakened, and a "Japanophobia" spread—having its high-tech, finances, and even its assets taken over by Japan. Even so, the Bush administration did not try to have the government play an active role in economic and industrial fields, making even traditional Republican Party backers, including high-tech industries, shift their support to Perot or to Clinton, who called for boosting competitiveness.

The Clinton administration's Japan policies are strongly affected by such forces favoring a strengthened U.S. hegemonic structure. They would apply special rules to the Japanese market where U.S. products somehow do not penetrate. That means that by setting numerical targets or objective standards corresponding to them, they would make marked and steady increases obligatory.

Another thing necessary for an economic hegemonic power is winning global markets. As the 10 great rising markets, the Department of Commerce lists China, Korea, Indonesia, India, Poland, Turkey, South Africa, Mexico, Brazil, and Argentina. It says that through trade promotion centers it will set up around the United States, it will encourage U.S. business's directing its efforts to the outside. According to Under Secretary of Commerce Garten, all employment increases since the Clinton administration began came from export-related industries and have a wage level 20 percent above the average for industry overall. Under Secretary Garten says, "Trade now is our most important national policy."

As Mr. Moore, president of the semiconductor leader Intel, puts it, the industrial policy the United States should promote is a trading policy. Instead of injecting huge government funds, the government is actively developing its market-expansion policies.

Semiconductors, personal computers, cars, financial services, and others have fully recovered confidence, and almost no one says domestic markets should be protected. Rather, they are convinced that, given its competitiveness, the United States naturally should expand its share in overseas markets such as Asia, and that where that share does not increase, it is because of the closed nature of the counterpart nation's market than to any inadequacy of their own efforts. It is a mode of thinking suited to a hegemonic power.

Under Secretary Garten warns that as the United States proceeds with its national strategy for exporting and investment abroad, it will come into sharp conflict with Japan throughout Asian markets such as China and others. Slowly but surely, that will affect the bilateral relationship and make it sink into a "cold peace" relationship. The concerns of U.S. public opinion with employment, overseas markets, and exports will grow and reactions against closed markets will rise. To avoid a plunge into this economic cold war, there is a need to establish rules between Japan and the United States for competition in Asian markets, says Under Secretary Garten. In the fall he intends to get into discussions with MITI and others to that end.

It seems that the content will be the goal of setting up routes for U.S. firms to join in projects being aided by Japanese public funds, such as by coping with export capital, international bidding, and Japan's ODA. It also has the aim of applying constraints so that Japan cannot use aid funds to gain an edge in advancing negotiations on projects. The actual conditions of Japanese assistance to Asia are being studied and analyzed with the CIA joining in. As the need arises, the Clinton administration intends to needle us with the evidence.

Splits With Pentagon

The Pentagon also is about to change greatly. Secretary of Defense Perry launched his Japan team in January 1994. Besides analyzing intelligence on military security in East Asia, it is grappling with propositions on how the U.S. munitions industry will make use of Japan's high-tech industries.

In the 1994 Defense Report is included the item "economic security," which asserts that to devise support for U.S. defense industry there is a need to develop dual-purpose military and civilian advanced technology. To that end, the Pentagon will carry out an industrial policy of subsidizing civilian research and development. The Los Alamos National Laboratory, famed for its nuclear development, is diverting military technologies one after another, just as it will apply to the textile industry the laser technology used in nuclear development.

What the Pentagon is paying major interest in is Japan's special semiconductor technology, optical fibers, liquid crystals, and so forth. It is particularly fixing an eye on Sharp for liquid crystals, working on a joint venture between Sharp U.S. corporation and a U.S. firm.

In April 1994 under special orders from Secretary of Defense Perry, a high official visited MITI and asked that a Japanese firm having such technology as liquid crystals construct a plant in the United States under a joint venture with a U.S. defense industry. That carried with it a threat that "If the Japanese side does not accede to this request, the Pentagon in turn will try to keep advanced military technology from being provided to Japanese business."

The same idea was purveyed to the Defense Agency, but the Defense Agency responded that "It is not this agency but MITI that can give guidance to industries on civilian needs." MITI would not move from its position that "MITI does not have the power to give guidance to private industry."

Sharp, on which the choice had fallen, was utterly perplexed and gave an evasive answer: "Whatever the case with the local corporation, the parent firm has no request from the Pentagon." Greatly boosting its production of liquid crystals for such civilian uses as personal computers, Sharp hates to have the production technology leak to U.S. firms.

A person connected to the Pentagon criticizes such Japanese attitudes: "For the United States to sustain its defense industries by civilian-need diversions ultimately contributes also to Japan's security. Yet, Japan rejects cooperation and thinks only of its own competitiveness." Seeing such Japanese responses caused Secretary of Defense Perry to start projects for domestic production of liquid crystals by aiding the private sector from the defense budget.

At the same time, the Pentagon's men in uniform continue to say of the military alliance relationship with Japan that "relations are good with the Defense Agency's uniformed officers."

However, that is talk for public consumption.

The Japanese side is not readily taking up the joint development plan for theater missile defense (TMD) which the Pentagon has proposed. Also, just as the friction evolved between Japan and the United States over jointly developing the next-generation support fighter (FSX), Japan is being driven to rapidly improve its advanced technology with military applications. The Pentagon is wary of Japan's having military technology surpassing that of the United States.

Ever since the end of the Cold War, Japan has depended wholly on the United States for advanced military technology. Also on the matter of suspicions about North Korean nukes, the Japanese Government has relied on Pentagon reconnaissance satellite data being passed to Foreign Ministry staff members at Japanese embassy in Washington. That symbolized the master-servant relations between the United States and Japan and was compensation for our officials' servile line toward the United States. Yet, receiving secondary information from the Foreign Ministry, the Defense Agency has mixed thoughts about this. It would like to launch its own independent satellites. That would mean it would not have to rely on information from U.S. spy satellites. By developing domestic satellite technology, in due course the time would come when Japan would be independent.

If one takes the United States to be a hegemonic power evolving along the axes of the global competitiveness of its industry, market share, and domination of advanced technology, the nation challenging it is Japan or Germany. Will their competitive relationship in fact stay merely as a relationship of "cold peace"?

Squarely Face Crisis Beyond Imagination

If we look back at history, World War I was the challenge of the newly industrialized Germany to the British Empire. And, one may be able to interpret World War II as the challenge to U.S. and British domination by Germany, Italy, and Japan seeking to make neighboring economic spheres and resources their own markets.

The fact that the United States and the Soviet Union did not plunge into direct fighting, even while repeatedly facing off against each other, was not due to the "nuclear deterrent" alone. Both superpowers could prosper just within their own national markets and share those markets with their allies. There was no spectacle of intense clashes over grabbing shares of global markets, and they lacked the motivation to make the ideological confrontation evolve into a war that would sacrifice large numbers of their people.

International political scientist Robert Gilpin predicted in his 1987 work *The political economics of international relations* the kind of significance we see today in the United States' global presence. In brief, he wrote that the modern hegemonic nation is a necessary entity for achieving and maintaining the rules of a free economy and differs from the former Roman Empire or "imperialist" era. If the global balance of power breaks down, hegemonic wars would arise over justifications for controlling the international system. Imbalances between the hegemonic nation and those challenging it could be resolved by peaceful diplomatic means, but the basic means for resolution is war. That is what the second world war was....

Now the United States has awakened to the need for economic hegemony and is trying to make its rivals submit. But, its greatest rival, Japan is increasing its share in Asian markets with swift vigor and is grasping leadership with its telling capital and technological power.

Japan-U.S. relations thus embrace a variety of major causes for such dramatic changes and are gradually breeding their virulent viruses. No one within Japan expects it will quickly become a totally hostile relationship because Japan still needs the United States in such various aspects as political, economic, industrial, and military affairs.

Yet, the United States, rather than seeing Japan as necessary, looks upon it as a major challenger in Asian markets and an exclusionist entity that will not open its markets. If one sets the criteria of ideas on economics and trade, Japan may easily be taken for an entity that blocks the smooth development of U.S. national strategy.

From the inclinations of the auto industry, the Clinton administration adopted a high-yen policy and achieved reductions in the Japanese auto industry's share. However, the cheap dollar furthered the outflow of the U.S. capital to Japan and imperiled U.S. macroeconomic policies. While suffering from the high yen, Japanese business is taking advantage of the yen's buying power to spread its production network in Asia. Although the U.S. business may try to advance into Southeast Asia, in Thailand and Malaysia it cannot secure the labor resources that have flowed into Japanese businesses.

For the United States that will only weaken its motivation to keep upholding its alliance relationship with such a Japan. In March 1994 when the matter of suspicions about North Korean nukes had become a crisis, I heard from a high White House official that "North Korean missiles cannot even reach Hawaii." Also, among intellectuals there is a strongly rooted doubt about "how much do we get as collateral for having spent huge sums to put our bases into Asia?"

If one holds the Japan-U.S. Security Treaty up to the mirror of a post-Cold War value criterion of "economic hegemony" rather than a criterion of world military strategy, Americans come to be seen not as giants covered with honor, glory, and praise, but turn out to be burly guardsmen hired by the Japanese; and the Japanese come to be seen as comfortably growing fat while "considerately" paying the bill for their defense guarantee.

Japan will have to face such realities squarely, but even among those who attach much importance to Japan-U.S. ties the sense of crisis—that there could some day be an abrogation of the security treaty from the U.S. side—is extremely slight. For that very reason there is a need not to merely give lip service to firmly supporting the security treaty but to reconsider fundamentally our diplomacy with the United States which has been sustained by a sense of assurance that if we just have the Japan-U.S. Security Treaty then Japan-U.S. cooperation will ultimately be protected. It is difficult to say what we will do from then onward. Yet, what we must make clear is that Japan is not a challenger, and we must impress upon and prove to the U.S. public that Japan agrees with and is helpful to the values and interests to which the United States holds.

MOFA Stand on DPRK Normalization Talks Breakdown

OW2110060594 Tokyo TOKYO SHIMBUN in Japanese 20 Oct 94 Morning Edition p 3

[FBIS Translated Text] On 19 October, a senior Ministry of Foreign Affairs [MOFA] official spoke about the "Yi Un-hye" issue, the direct cause for the break down in Japan's diplomatic normalization talks with the DPRK, saying: "Whether we should try to have the issue resolved in the course of negotiations or seek to resolve it after relations are normalized is a question we should ask in the future." He thus signaled the possibility that Japan will take a flexible position on the matter and will seek to resolve it after the normalization of relations.

Yi Un-hye is a woman who allegedly participated in the training of Kim Hyon-hui, a culprit allegedly involved in the bombing of a Korean Airline passenger plane, to act as a Japanese. The DPRK has rejected Japan's demand of investigating the allegation, insisting that "the incident itself is a fabrication by the ROK."

Officials View Resumption of Talks With DPRK

OW2010144794 Tokyo ASAHI SHIMBUN in Japanese 19 Oct 94 Morning Edition p 1

[FBIS Translated Text] Since an accord was reached at the U.S.-DPRK high-level talks on North Korea's alleged nuclear arms development, it is now certain that Japan will be urged to bear a huge financial burden to support North Korea until it succeeds with its light-water reactor conversion—the project promoted by the U.S.-led international joint organization. The Japanese Government intends to keep a close eye on future moves to be taken by North Korea, the United States, and South Korea, while noting the possibility of resuming the Japan-DPRK normalization talks, whose major topic is "Japan's post-war reparations."

Regarding the timing for providing support to North Korea, Prime Minister Tomiichi Murayama, speaking to reporters on 18 October, expressed his cautious stance: "It is impossible for us to provide immediate support." Terusuke Terada, a spokesman of the Ministry of Foreign Affairs [MOFA], stressed: "Japan is willing to take part in and provide cooperation to the international project to support North Korea on condition that nuclear suspicions, including those involving its suspected nuclear arms development in the past, are all cleared up." The government intends to formulate a specific support plan while paying attention to the future moves of North Korea.

Meanwhile, a sense of hope has emerged in the government regarding the accord reached at this time. Foreign Minister Yohei Kono said that "one of the obstacles has been eliminated" on paving the way for the resumption of the deadlocked normalization talks. If the talks are resumed, it is likely that a debate will begin on whether or not Japan's financial support to the light-water reactor project should be considered one way to compensate for Japan's wartime acts, which caused great suffering among the people of North Korea.

On 18 October, Taku Yamasaki of the Liberal Democratic Party (a representative of the Asian Security Research Council) pointed out: "It will make a difference if Japan's financial support for the light-water reactor program is considered Japan's post-war reparation to North Korea." He then indicated that Japan should inform North Korea that "the financial support is one form of Japan's compensation."

A senior MOFA official commented on the resumption of the normalization talks: "Japan will not ask North Korea for a resumption of talks, but if North Korea asks for it, we will resume negotiations." The MOFA intends to study ways to deal with North Korea while discussing the support for the light-water reactor program together with the issue of Japan's post-war reparation.

Official Urges Aid for DPRK Nuclear Program

OW2110090894 Tokyo KYODO in English 0848 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Japan should provide technical assistance as early as possible for Pyongyang's introduction of light-water reactors following the U.S.-North Korea agreement on Pyongyang's nuclear program, a trade ministry official said Friday [21 October].

Taking into consideration the issue of technical safety, it is better for the Ministry of International Trade and Industry to begin cooperation with North Korea's nuclear program from the initial stage, the official said.

Concrete assistance has yet to be decided, but the ministry appears likely to send nuclear-related technical experts, and staff of the agency of natural resources and energy to North Korea.

Economic Circles Cautious on Business in DPRK

OW2010125094 Tokyo TOKYO SHIMBUN in Japanese 19 Oct 94 Morning Edition p 7

[FBIS Translated Text] On 18 October, business circles welcomed the U.S.-DPRK (North Korea) accord on the nuclear issue, saying: "If an unfavorable situation arises on the Korean peninsula, it will have a serious effect on Japan. We are glad the situation has stabilized," (according to Takeshi Nagano, president of the Japan Federation of Employers' Association). However, as for economic exchanges between Japan and the DPRK, for the time being Japanese business circles intend only to continuously watch developments in the situation: "Japan-DPRK consultations have been suspended since 1992. It is not wise of economic circles to do business with the DPRK prior to resumption of talks," (according to a senior official of the Federation of Economic Organizations of Japan).

Economic circles remain cautious about this matter because: 1) The DPRK's social infrastructure, such as roads, ports, and communications systems are extremely backward; 2) ROK economic circles have also begun to show a cautious attitude toward doing business with the DPRK; and 3) the issue of the DPRK's cumulative debts to Japan has not yet been resolved. In particular, the fact that the ROK has begun to show a weak-kneed attitude toward economic exchanges with the DPRK is affecting Japanese economic circles a great deal.

When the unification of East and West Germany was achieved following the collapse of the Berlin Wall in 1989, South Korean economic circles expected economic growth that would also stem from the unification of the Korean Peninsula. However, after the ROK became aware of the enormous unification costs born by the German Government, its enthusiasm began to cool down rapidly. At present, the ROK assumes a wait-and-see attitude. North Korea plans to establish a special economic zone in Rajin, which faces the Sea of Japan, to invite foreign investment. However, the plan is substantially in a state of "dormancy" at present.

Murayama Said To Retract Remarks on UN PKO

OW1910135894 Tokyo YOMIURI SHIMBUN in Japanese 19 Oct 94 Morning Edition p 1

[FBIS Translated Text] At an 18 October House of Councillors Budget Committee session, Prime Minister Tomiichi Murayama virtually retracted his past remarks that Japan's participation in UN Peacekeeping Forces (PKF) operations, which is banned by the UN Peacekeeping Operation (PKO) Cooperation Law, "is beyond the scope of constitutional permission." He made the remarks immediately after his inauguration as prime minister.

The prime minister's retraction came in reply to questions by Kazuyoshi Shirahama (from Komeito [Clean Government Party]). On 1 July, at his first news conference the prime minister indicated a negative view on Japan's participation in the UN PKF, saying: "The PKF has not yet come within the scope of constitutional permission." Based on this remark, Shirahama inquired of the prime minister about his present view.

In reply, the prime minister said: "Whether the ban should be lifted or not is decided by the Diet. If I say a word, this is an act of arrogance. Since I made misleading remarks, I later corrected them to say that 'the government, for its part, has no intention of handling the PKF issue.'"

Meanwhile, Foreign Minister Yohei Kono answered questions by Hiroshi Kikunami (from the Japan Communist Party) on Japan's participation in the UN Military Staff Committee [MSC] following its possible acquisition of a permanent seat on the UN Security Council. The foreign minister indicated that joining the MSC and giving "strategic direction" to the UN forces "does not violate the Constitution."

Citing the reason, he stated that it is broadly interpreted that the MSC's "strategic direction," which is stipulated in the UN Charter, is different from direct command of forces.

Election Monitors Depart 20 Oct for Mozambique

OW2010134494 Tokyo KYODO in English 1008 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—Fifteen Japanese election monitors left Thursday [20 October] for Mozambique, where they will help ensure the fairness of U.N.-supervised presidential and parliamentary elections late this month, government officials said. It will be Japan's fourth election-monitoring mission following similar missions to Angola, Cambodia and El Salvador.

Around 50 Self-Defense Forces (SDF) personnel were deployed to the southeast African country in May last year as part of a 7,500-strong UN peacekeeping mission, known under its acronym ONUMOZ [United Nations Operation in Mozambique], which oversees the implementation of a peace accord between Renamo [Mozambique National Resistance] rebels and the Maputo Government.

The SDF troops are mainly providing logistic support for the Mozambique mission. If the election process goes smoothly, the operation is due to wind up in January, closing the book, at least for the time being, on Japanese engagement in UN peacekeeping.

Mozambique is the SDF's second such engagement following the dispatch of some 1,200 SDF members to Cambodia, an assignment which ended in September last year.

According to the defense agency, the disarmament of Renamo rebels and old government troops was concluded by mid-September.

With the results of the Oct. 27 elections expected in early November, the UN hopes to withdraw the military part of its Mozambique mission by early January, although no concrete timetable has been worked out.

The SDF contingent will likely be the last foreign group to leave the country, agency officials said. SDF members in a multilateral humanitarian mission to assist rwandan refugees in Zaire are expected to end their three-month assignment by year-end.

Concern at PRC-Taiwan Friction at APEC Meeting

OW2110132194 Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Oct 94 Morning Edition p 3

[FBIS Translated Text] The upcoming Osaka meeting of the Asia-Pacific Economic Cooperation (APEC) forum will be the first opportunity for cabinet ministers from the PRC and Taiwan to meet in Japan. They may not be that nervous, as the two Chinese nations have often faced each other at previous APEC meetings since their simultaneous admission in 1991. However, the PRC recently reacted strongly to the Taiwan vice premier's participation in the Asian Games in Hiroshima. As host of the APEC meeting, the Ministry of International Trade and Industry [MITI] and its Minister Ryutaro Hashimoto may have difficult problems to manage.

Taiwan Economic Affairs Minister Chiang Ping-kun and PRC State Economic and Trade Commission Minister Wang Zhongyu are expected to meet in Osaka. Commenting on this, the Foreign Ministry said: "The Taiwan delegation's current trip to Japan will not be a problem because it is joining the APEC conference as a fully recognized member." However, the ministry is concerned about "possible claims from the PRC." On the other hand, MITI confidently said: "The Taiwan delegation will meet with the MITI minister on 22 October."

MITI takes a relatively positive attitude toward exchanges with Taiwan, because in the business sector, economic relations are still as close as those with the PRC. A top MITI official said: "We should attach importance to relations with Taiwan judging from the brisk commodity and monetary transactions between Japan and Taiwan." In connection with this, MITI dispatched the director of the International Trade Policy Bureau to Taiwan in May and December of 1993.

The PRC intends to demonstrate its open-door and reform policy to the APEC economic conference, which will discuss international trade and investments. In this regard, raking up a political controversy is unlikely to benefit the nation. A senior MITI official preparing for the APEC meeting stressed: "We are not going to have trouble such as that over the Asian games." However, MITI is watching the PRC's attitude very carefully.

Mission To Study Defense Industries in Europe

OW2110092094 Tokyo SANKEI SHIMBUN in Japanese 20 Oct 94 Morning Edition p 9

[FBIS Translated Text] On 19 October, the Japan Federation of Economic Organizations [Keidanren] announced its plan to dispatch a Defense Production Committee study mission (led by Jozo Hineno, managing director of Mitsubishi Heavy Industries Ltd.) to three countries—France, Sweden, and Germany—to gage the actual situation of Europe's defense industries. The mission will visit these countries for ten days from 26 October. It is rare for Japan to send a study mission to Europe, most missions designed to study defense matters visit the United States.

Following the end of the Cold War between East and West, the European nations have significantly reduced their military expenditures. Because of this, the defense industries are suffering from poor business turnout, and corporate mergers and unification among defense industries are taking place at rapid rate.

In a report submitted to Prime Minister Tomiichi Murayama recently, the Council for Defense Issues (chaired by Kotaro Toiguchi, chairman of Asahi Brewries) explained the need to review the amount of Japan's frontline equipment. Also, the increase rate of the budget request for defense expenditure for fiscal 1994 was kept down to 0.9 percent, compared to that of fiscal 1993. In this way, circumstances surrounding the defense industries are changing significantly. Therefore, Keidanren approved a plan to gage the actual situation in Europe in an attempt to seek an ideal situation in the future for defense industries at home.

Among those participating in the study mission are defense- related manufacturers and trading companies. In addition to holding meetings with concerned government officials in each country, they will visit their main defense industry companies—including Aerospatial of France, Tomson, DAS of Germany, and Bofers of Sweden—to exchange views.

Further on Visit by Malaysia's Prime Minister

Mahathir Urges Support for EAEC

OW2110072894 Tokyo KYODO in English 0710 GMT 21 Oct 94

[FBIS Transcribed Text] Oita, Japan, Oct. 21 KYODO—Malaysian Prime Minister Mahathir

Mohamed on Friday [21 October] sought Japan's support for the establishing of the proposed East Asian Economic Caucus (EAEC).

Malaysia wants Japan, the sole, leading country in east Asia, to take part in the scheme as a way to help enhance the east Asian countries' voice in the global community, Mahathir said in a speech delivered in Beppu, Oita Prefecture, southwestern Japan.

The EAEC is intended to include the Association of Southeast Asian Nations and other Asian countries but not the United States or Australia. Tokyo has avoided clarifying its stance on the proposed group, apparently taking into consideration possible reaction from countries such as the U.S.

Mahathir said the EAEC is not intended as a trading bloc or a tariff league for a particular region but as a place to discuss common problems. The Malaysian prime minister defended the proposed group's exclusion of Western countries such as the U.S., saying they are not east Asian countries. In the same way, he added east Asian countries are not able to join the European Union.

Mahathir Attends Symposium in Oita

OW2110132794 Tokyo KYODO in English 1312 GMT 21 Oct 94

[FBIS Transcribed Text] Oita, Japan, Oct. 21 KYODO—Local government heads from various Asian countries and the Kyushu region in southern Japan met Friday [21 October] to discuss how to promote exchanges at a one-day symposium in Beppu, Oita Prefecture, organizers said.

Malaysian Prime Minister Mahathir Mohamed also attended the meeting and stressed the importance of "symbiotic ties" in the Asian region in a keynote speech. Mahathir is in Japan on a six-day private visit.

Twelve provincial governors and city mayors from nine Asian nations were present at the international symposium organized by Oita Gov. Morihiko Hiramatsu.

The overseas participants include Wuhan Mayor Zhao Baojiang from China, Quezon Province Gov. Eduardo Rodoriguez from the Philippines and Kedah State Gov. Osman Bin Haji Aroff from Malaysia, the organizers said.

Governors from Fukuoka, Saga and Kumamoto Prefectures in Japan's southernmost main island of Kyushu also took part in the meeting, the organizers said.

Gov. Osman from Malaysia said it is crucial to learn each other's languages for promoting mutual exchanges. He added that mutual understanding through languages will lay the foundation for promoting tourism and industry. Osman noted the importance of grassroot-level foreign languages education.

Saga Gov. Isamu Imoto appealed to the participants, "let us improve our cultural heritage, born by exchanges from ancient times."

Gov. Hiramatsu said he hopes to continue this kind of meeting, taking turns providing the venue.

Egyptian Parliament Speaker in Tokyo on Visit

Seeks More Japanese Investment

OW2110082094 Tokyo KYODO in English 0751 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—The speaker of the Egyptian parliament Friday [20 October] urged Japan to boost investments in Egypt to help the country's economic reforms succeed.

Ahmad Fathi Surur, speaker of the People's Assembly, told a press conference that Japan's various regulatory constraints connected with its debt forgiveness with Egypt should be removed to promote investments.

The Japanese Government's investment incentives such as investment guarantees and trade guarantees should be resumed, Surur said. He said a new investment law providing a favorable investment climate has been endorsed to encourage foreign investments, which he said are one of the indispensable elements for the country's two-tiered economic reform program.

Japan has played "a very fundamental role" in the success of the first phase of the reform program and could play "an equally fundamental role" in the second phase by increasing investments. "We look forward to increased Japanese investments in Egypt," he said.

Surur has been in Japan on a five-day visit since Wednesday at the invitation of House of Representatives Speaker Takako Doi. He met Emperor Akihito on Wednesday and was scheduled to meet Prime Minister Tomiichi Murayama, Foreign Minister Yohei Kono and other officials Friday afternoon. He said he has invited Doi and other Japanese lawmakers to visit Egypt next year.

Surur also strongly criticized Iraq for the recent movements of its troops toward the boarder with Kuwait. "Egypt does not accept any Iraqi aggression against Kuwait or any Arab countries," he said. Egypt regards the Iraqi movements as a "violation of UN resolutions."

"We condemn all kinds of aggression," he said, adding Egypt hopes Iraq will clarify the question of its boundaries with Kuwait. He also lambasted the recent terrorist activities by Islamic fundamentalists, saying, "we condemn all forms of terrorism in any place." "We hope Israel and the Palestinians will strictly respect the principles of peace," he said.

Seeks Aid for New Bridge

OW2110103994 Tokyo KYODO in English 0932 GMT 21 Oct 94

[FBIS Transcribed Excerpt] Tokyo, Oct. 21 KYODO—The speaker of the Egyptian Parliament sought Friday

[21 October] Japan's assistance for a project to construct a bridge over the Suez Canal, Foreign Ministry officials said.

Ahmad Fathi Surur, speaker of the People's Assembly of Egypt, made the pitch in a meeting with Prime Minister Tomiichi Murayama. The cost of the project is estimated at 20 to 25 billion yen.

Murayama said Tokyo will consider the request after a government fact-finding mission returns from Egypt later this month, the officials said. [passage omitted]

Surur also reportedly praised Japan's contributions in the international community. Murayama expressed hope that Japan will further beef up relations with Egypt, the officials said.

Envoy: France To Extend Trade Promotion Campaign

OW2010135994 Tokyo KYODO in English 1057 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—The French Government will continue its trade promotion campaign in the Japanese market for another three years from next year, French Ambassador to Japan Jean-Bernard Ouvrieu said Thursday [20 October].

France started the campaign in 1992, focusing on 12 fields—farm products, chemicals, medicines, airplanes, medical equipment, information engineering, auto parts, construction, environment, new materials, measuring instrument and leather.

As a result of the campaign, the ambassador cited the opening of the Japanese pork market to french products, entry of French firms into the Japanese helicopter market and entry of french contractors in Japan's public works projects.

When France extends the campaign period, Ouvrieu said it will add services, electric appliances, railway and sports to the 12 priority industries. The services will include advertising and hotels.

At a news conference in Tokyo, the ambassador said he is planning to step up efforts to promote sales of French products not only in Japan's large cities but also in local areas.

As part of the campaign, he said Japanese automakers and European auto parts makers will hold a meeting, the first of its kind, in Paris March 6-7 to let Japanese makers know more about European auto parts.

The press conference was also attended by Laurent Boix Vives, chairman of Skis Rossignol S.A., and Alain Coine, president of Phone-Poulenc Japan Ltd.

Earlier in the day, Vives was given a trade award by Prime Minister Tomiichi Murayama and Coine a corporate trade award by International Trade and Industry Minister Ryutaro Hashimoto.

Matsushita To Produce Televisions in Vietnam

OW2110062494 Tokyo KYODO in English 0050 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Matsushita Electric Industrial Co. will return to Vietnam, licensing color television production there for the first time since the Vietnam war ended in 1975, a spokesman said Friday [21 October].

The consumer electronics giant will supply key components and assembly technology from the end of the year to a government-run factory in Ho Chi Minh City, formerly Saigon, from which Matsushita was expelled 19 years ago, he said.

The equipment will be used to produce color TVs under the company's Panasonic brand.

Confirming a report in the NIHON KOGYO SHIMBUN newspaper, the spokesman said Matsushita will supply color tubes and chassis produced by it and Matsushita Electronics Corp. in Malaysia, and license production of 30,000 14-inch and 21-inch TV sets a year, it said.

Matsushita plans gradually to increase the proportion of the larger models and raise output by 10,000 sets a year, probably over several years, he said.

It will return to the same factory from which it was expelled as a joint-venture partner in 1975 when the capital of South Vietnam fell to the Vietnamese communists, the newspaper said.

Competition in Vietnam among Japanese home electronics makers is heating up, the newspaper said, citing local assembly of 14-, 20- and 25-inch sets by Victor Co. of Japan and Sanyo Electric Co. and similar plans by Sharp. Corp., Sony Corp. and Hitachi Ltd.

Government Grants India 936 Million Yen in Aid

OW2110103394 Tokyo KYODO in English 1003 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Japan will extend India a grant-in-aid totaling 936 million yen as a debt relief measure and to help it increase food production, the Foreign Ministry said Friday [21 October]. Japanese and Indian Government officials exchanged documents on the Japanese aid in New Delhi earlier in the day, the ministry said.

Of the aid, 700 million yen will be granted to help India purchase fertilizers necessary to increase food production. The remaining 236 million yen will cover debts for which repayment fell due in the latter half of fiscal 1993 but on which capital and rescheduled interest have not yet been paid.

Chief Cabinet Secretary Comments on Rising Yen

OW2110021594 Tokyo KYODO in English 0150 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Chief Cabinet Secretary Kozo Igarashi expressed confidence Friday that the turbulent currency markets will settle down and better reflect the present state of Japan's economy.

"We believe the exchange rate will reflect the economic fundamentals and move in a stable manner," the top government spokesman said at a news conference. He voiced concern about wild gyrations in the yen-dollar exchange rate in the short term because of speculative yen-buying.

In Tokyo currency trading on Friday, the dollar got off to a record low start at 96.75 yen, down 0.88 yen from Thursday's closing rate of 97.63 yen. It fell to a global record low of 96.55 yen at one point in the morning.

The opening rate compared with Thursday's late quotes of 96.95- 97.05 yen in New York and 97.30-40 yen in London.

The dollar's previous record opening low in Tokyo was 97.05 yen set on July 12.

Ministry 'Seriously Watching' Foreign Exchange

OW2110021494 Tokyo KYODO in English 0147 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Finance Minister Masayoshi Takemura said Friday he is seriously watching developments on the foreign exchange market.

Takemura made the comments at a press conference after a regular cabinet meeting when asked about his impression on the yen's postwar high against the dollar earlier in the day on the Tokyo market.

While declining to suggest what the government would do at the moment, Takemura reiterated its policy to take measures in an appropriate and timely matter to stabilize foreign exchange rates.

Asked about possible monetary steps, Takemura said neither the government nor his ministry is considering having anything to do with market interest rates at the moment.

Currency rates should reflect economic fundamentals and their rapid fluctuations are not desirable, Takemura said. Such common recognition among the Group of Seven (G-7) nations remains unchanged.

Close cooperation with other G-7 countries should be a base of the measures to check volatility in the currency market, he said.

Asked how to dispose of Japan Tobacco Inc. shares left unsold, Takemura said his ministry will discuss the issue after seeing the final result later in the day of payments by substitute winners set on Oct. 18-20.

At the same time, Takemura said it would be necessary to review the reasonably prepared process of selling shares of the former state-run tobacco and salt monopoly to find out the problems and form remedies.

Turning to the government's emergency domestic agriculture program, Takemura expressed hope a final political decision be made within the day in a way to allow budgetary outlays to surpass the ministry's originally eyed amount of 3.5 trillion yen.

The 3.5 trillion yen does not include necessary expenditures for pending issues such as projects of soil enrichment, debt alleviation for farmers and infrastructure improvement to enhance productivity, he said.

Takemura said he will meet with Agriculture, Forestry and Fisheries Minister Taichiro Okawara and Chief Cabinet Secretary Kozo Igarashi later in the day in an effort to reach a conclusion.

BOJ More Confident of Gradual Economic Recovery

OW2110113694 Tokyo KYODO in English 1121 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Japan's economy is recovering gradually and is unlikely to retreat again, with the adverse effect of a stronger yen remaining limited, the Bank of Japan (BOJ) said Friday [21 October] in a quarterly report on its economic outlook.

Factors contributing to the more optimistic view are the end of stock adjustments of consumer durables and corporate equipment as a result of policy measures such as personal income tax cuts, and world economic growth, the BOJ said.

Kagehide Kaku, director of the central bank's research and statistics department, said cyclical elements such as industrial production have improved considerably more than expected three months ago.

Pointing out that the speed of growth in industrial output during the first three quarters in 1994 was equal to that in past recovery phases, Kaku said the bank is considering the possibility that the pace of recovery may be faster than expected.

Given remaining structural problems such as intensified competition with Asian products and ongoing balance sheet adjustments, however, capital investment is unlikely to expand greatly during fiscal 1994 and the tempo of recovery will remain moderate in the coming months, the central bank said.

It also said, "the recovery will owe much to the stimulative effects of economic policies such as tax reductions and public- sector investment. During this nascent recovery, a further appreciation of the yen could exert deflationary pressures in the short run."

As for the external balance, the central bank said both trade and current account surpluses in dollar terms are expected to decline gradually as the growth of exports slows and imports increase more quickly than growth in domestic demand.

Higher long-term interest rates on balance and firming money market rates during recent months are considered to point to market expectations of economic recovery, it said.

Despite decreasing bank lending, monetary aggregates have increased gradually and the money demand will continue growing slowly during the October-December period in line with moderate economic growth, it said.

It forecasts the year-to-year growth rate of the broadly defined money supply—cash in circulation, time and demand deposit, plus certificates of deposit—to remain between 2.0 and 3.0 percent.

Government, Parties Fail To Agree on Farm Program

OW2010152194 Tokyo KYODO in English 1453 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—The government and the ruling coalition parties failed Thursday [20 October] to agree on the proposed appropriation of 6 trillion yen over the next six years to bolster agriculture and deal with rice imports under the Uruguay Round trade agreement, officials said.

The Farm Ministry and the ruling parties sought to earmark 6 trillion yen to finance the government's emergency agriculture program to deal with rice import liberalization over the six years, they said. However, in the final phase, the Finance Ministry intensified its objection to the budget and has allowed budgetary appropriations of 3.5 trillion yen, the officials said.

The government postponed a meeting slated for Friday morning to decide on the emergency agriculture program, they said.

The government is hoping to reach a final settlement of the issue by Friday, the officials said.

MOF-Backed Think Tank Cuts GDP Growth Forecast

OW2110081994 Tokyo KYODO in English 0810 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—A think tank affiliated with the Finance Ministry [MOF] lowered Friday [21 October] its growth estimate for Japan's real-term gross domestic product (GDP) in 1994 to 0.8 percent from 1.0 percent it forecast in July.

The Japan Center for International Finance said in its global economic outlook that the revision was made because the growth rate in the April-June quarter was lower than expected due in part to slumping consumer spending.

The center also forecast the GDP in 1995 will grow 2.0 percent in Japan, 2.7 percent each in the United States and Germany and 7.6 percent in Asia. In the year, the global economy is likely to continue a gradual recovery while the Asian economy is expected to stage a strong recovery, the center said.

It also predicted that Japan's current account surplus will rise to 132.7 billion dollars in 1994 but fall to 129.5 billion dollars in 1995. The center also forecast that the U.S. current account deficit will post 145.8 billion dollars in 1994 and 158.6 billion dollars in 1995, when it will hit bottom.

Major Banks Suffer Large Appraisal Losses

OW2110112094 Tokyo KYODO in English 1108 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—The combined value of appraisal losses on securities at Japan's 10 major banks hit about 232.3 billion yen as of the end of September.

Among the 10 banks, the value of appraisal losses on stocks, government and municipal bonds and others at Nippon Credit Bank was the largest at some 75 billion yen. The Long-Term Credit Bank of Japan, Sanwa Bank, Mitsubishi Bank, Sakura Bank and Asahi Bank suffered more than 10 billion yen each in appraisal losses.

Signs of economic recovery worked to push up long-term interest rates, leading to lower bond prices, which hit financial institutions that hold numerous government and municipal bonds.

Financial institutions are required to make public appraisal losses on securities when the losses account for more than 30 percent of pretax profits or net profits from the previous business year, or account for 1 percent or more of total assets.

Meanwhile, Nippon Credit Bank announced a revision of its business forecast for the first fiscal half ended September. While pretax profits are estimated to have fallen 11.5 percent, operating revenues are projected to have increased 14.1 percent, partly due to a windfall from stock sales, bank officials said.

Agriculture Ministry Reports Drought Damage

OW2110111994 Tokyo KYODO in English 1040 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—The value of agricultural products damaged by drought since April this year totaled 137.7 billion yen as of Oct. 5, nearly matching the record postwar damage caused in 1978, the government said Friday [21 October].

The Ministry of Agriculture, Forestry and Fisheries said farming areas affected by the drought totaled 623,300 hectares, with the Kanto, Chugoku, Shikoku and Kyushu areas hard hit by a shortfall of rain in this year's rainy season and a long spell of dry weather this summer.

Damage to fruits, including mikan and grape, came to some 44.1 billion yen, while 36 billion yen worth of vegetables were damaged. Damage to rice amounted to some 32.9 billion yen, with rice fields near mountains particularly hard hit.

Kubo Calls For New Party Before Election Change

OW2110062294 Tokyo KYODO in English 0519 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—A senior leader of the Social Democratic Party (SDP) [of Japan—SDPJ] said Friday [21 October] "social democratic" and "liberal" political forces must unite before the next general election is contested under a new polling system.

"If the next general election is held without the new social democratic and liberal party we are seeking to form, it will be extremely difficult to create a third focus in Japanese politics," SDP Secretary General Wataru Kubo said in a lecture.

"In that sense, we need to unite the new forces so we can participate in the next general election together," Kubo said in the lecture organized by KYODO NEWS SERVICE.

"Should the SDP merge with the LDP (Liberal Democratic Party) to create a new party? Or should it go hand in hand with a soon-to-be- formed new united opposition party?" Kubo asked, outlining the choices his party must face in the new political environment.

"Voters don't expect the SDP to take either of these two courses," he observed, saying the SDP should strive to unite new political forces to survive in an era of major realignments in Japanese politics.

The SDP is a partner in the tripartite ruling coalition with the LDP and an LDP splinter group, New Party Sakigake [Harbinger]. Kubo is facing criticism within the SDP for his proposal to form a new party comprising social democratic and liberal groups, a move that could destroy the alliance.

SDP left-wingers, who support Prime Minister Tomiichi Murayama, say Kubo's proposal is tantamount to a declaration to disband the party.

Y50 Million Allegedly Given to Kamei in 1987

OW2010152094 Tokyo KYODO in English 1451 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—The leader of a speculative group gave 50 million yen to Transport Minister Shizuka Kamei seven years ago, an aide to the leader said Thursday [20 October]. Kamei's office denied the allegation.

The 46-year-old aide to Yasuji Ikeda, leader of the speculator Group Cosmopolitan, told KYODO NEWS SERVICE that Ikeda directly handed over the money in January 1987 to Kamei who acted as a mediator between Cosmopolitan and Tokai Kogyo Co., a medium-scale contractor. Cosmopolitan was then the top shareholder in Tokai Kogyo after having cornered its shares.

Earlier this month in debates at the Diet, Kamei, a House of Representatives member from the Liberal Democratic Party, denied he received money from the group. The aide said Kamei sought contact with cosmopolitan shortly after the group became the top shareholder in Tokai Kogyo in November 1986 and Kamei met three executives of the group at a Tokyo hotel.

On Jan. 9, 1987, Ikeda delivered the money inside a car parked in front of a hotel in Tokyo with the aide as witness, he said.

Cosmopolitan began to corner speculative shares in 1986 but the Osaka District Court declared the group bankrupt in November 1988 after it fell into financial difficulty.

Opposition party legislators questioned Kamei over his relations with Ikeda. Kamei allegedly forced cosmopolitan to buy a large amount of speculative shares at high prices in August 1987 and February 1988.

Kamei said, "after a market slump, 17 to 18 friends of mine who bought shares with Mr. Ikeda guaranteeing the principal asked me to urge him to buy shares at the original price. I spoke to Mr. Ikeda about it."

Transport Minister Denies Charge

OW2110071694 Tokyo KYODO in English 0437 GMT 21 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 21 KYODO—Transport Minister Shizuka Kamei on Friday [21 October] categorically denied allegations he received 50 million yen from the leader of a group of stock speculators.

"It is a pure fabrication. I can imagine who is masterminding it," Kamei told a press conference following a regular cabinet meeting, adding, "I have told my lawyer to consider taking legal action."

He was responding to questions about the allegations that he received 50 million yen in 1987 from Yasuji Ikeda, the head of the stock market speculators' Group Cosmopolitan. The whereabouts of Ikeda have been unknown since August 1988.

An aide to Ikeda said Thursday the leader gave the money to Kamei.

Kamei, a member of the conservative Liberal Democratic Party, admitted he has met Ikeda a couple of times but denied receiving any money from him.

"I have a pretty good idea of what kind of person he is. I am not so unwise as to receive donations from such a person," Kamei said.

Businessmen Awarded for Expanding Imports

OW2010135294 Tokyo KYODO in English 0515 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—The government Thursday [20 October] commended three foreign and two Japanese businessmen for their outstanding contribution to expanding imports to Japan. The trade award was established in 1983 to recognize individual efforts in improving Japan's trade structure and cultivating mutual understanding with Japan and countries around the world.

The three foreigners were Laurent Boix Vives, chairman and chief executive officer (CEO) of France's Rossignol Group, Joseph Gorman, chairman and CEO of TRW Inc. of the United States, and Rudy Lengkong, chairman of Indonesia's National Agency for Export Development. The Japanese were Takeo Shiina, chairman of IBM Japan Ltd., and Kazuo Harada, chairman of the Machine Tool Importers Association of Japan.

Vives contributed much to achieving the largest market share of 30 percent on the Japanese ski market. Gorman promoted mutual understanding as chairman of the Japan-U.S. business conference, while Lengkong helped boost natural gas exports to Japan to 5.1 billion dollars in 1993 from 1.1 billion dollars in 1985.

Shiina, as chairman of IBM Japan, expanded the market share of foreign-made computers and improving the Japanese business environment for overseas companies. Harada contributed for a long time to increasing machine tool imports.

Executive Urges Government Aid for Technology

OW2010133894 Tokyo KYODO in English 0854 GMT 20 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 20 KYODO—The chairman of communications equipment and computer giant Fujitsu Ltd. is calling for government-industry cooperation to develop new technologies in Japan.

Takuma Yamamoto, in an interview with KYODO NEWS SERVICE, said Japan should develop new technologies and nurture new industries to prevent a "de-industrialization" of the nation stemming from the yen's appreciation.

The strong yen has raised domestic production costs in dollar terms and forced many Japanese companies to move their production operations overseas.

Japanese companies should work hard to develop new technologies and the government should cooperate with them in such efforts, Yamamoto said.

The growing shift to overseas production has made it difficult for new graduates to find jobs in Japan and for companies to offer higher wages to workers, Yamamoto said, warning further wage hikes would only accelerate Japan's "hollowing out."

Asked about the potential for a rapid recovery i
Fujitsu's financial performance, Yamamoto sai
demand is increasing for semiconductors, especially i
North America, and personal computer shipments ar
increasing at an annual rate of 30 percent. He sai
customers are pleased with Fujitsu's new IBM
compatible personal computers.

Yamamoto also said sales of mainframe computers ar
beginning to recover.

Ministry Fights To Control Multimedia Industry

*OW2110031994 Tokyo BUNGEI SHUNJU in Japanes
Nov 94 pp 128-134*

[Article by economics journalist Shin'ichiro Suda: "Ministry of Post and Telecommunications Aims at Veste
Interests in Multimedia"]

[FBIS Translated Text] In mid-September, Isho Arima
director of the Planning Department at Tokyu Cabl
Television, which has its primary strength in the Setagaya Ward area [of Tokyo] and which has the larges
number of cable television (CATV) subscribers in Japan
paid a visit to the headquarters of the Ministry of Pos
and Telecommunications [MPT]. That was because th
Telecommunications Bureau of the MPT had invite
him, saying that "We would very much like to hear you
opinions."

Arima was reportedly puzzled, wondering "What is thi
all about?"

He was puzzled because from the outset the MP
supervising office for the CATV enterprises has been th
Broadcasting Bureau. In the bureaucratic society, wher
vertically divided administrative spheres are customary
it was very unusual to receive a "call" directly from th
Telecommunications Bureau, which was not the supervising bureau.

That was not all that surprised Arima. Those wh
awaited him at the appointed time were the principa
members of what are known as the "three Telecom
Bureaus," namely the Communications Policy Bureau
the Telecommunications Bureau, and the Broadcastin
Bureau.

As a basic fact, the MPT headquarters consists of th
three field-office bureaus of Posts, Postal Savings, an
Post Office Life Insurance, along with the three aforementioned Telecom Bureaus. The Communication
Policy Bureau is in charge of planning, drafting, an
promoting telecommunications policy. The Telecommunications Bureau supervises telecommunications enterprises and cable telecommunications such as NTT
KDD, and so on, and the Broadcasting Bureau advance
plans, drafts, and promotes policy concerning broadcas
enterprises. Such enterprises as television, radio, an
CATV come under the supervision of the Broadcastin
Bureau.

Arima witnessed the gathering of working-level staff members such as the Telecommunications Bureau's key personnel, headed by the Telecommunications Policy Division of the Telecommunications Business Department. They were joined by Broadcasting Bureau deputy division heads of the Broadcasting Policy Division and the Cablecast Division. He then made the following comments:

"It would have been unthinkable in the past that members of the MPT Telecommunications Policy Division of the Telecommunications Business Department and of the Broadcasting Bureau would sit at the same table."

What was their purpose?

Arima said, "They questioned me concerning what I thought about telephone enterprises utilizing cable televisions: It was a hearing."

Though Arima just touched on this matter, this hearing had a very significant meaning for the MPT. It indicated that the three telecom bureaus of the MPT have united and started making concrete moves for the creation of a bill which will deal with multimedia.

That is because "telephone business conducted by "CATV entrepreneurs" is the "union of broadcasting and telecommunications." This is something which the MPT is trying to promote by removing barriers between bureaus and because this union is precisely the future multimedia image the MPT is promoting.

Optic Fiber Networks Reaching Every Home

"Multimedia"....Sometimes the word seems to take on a life of its own. But in short, what it amounts to is to spread a network of information corridors in which large volumes of information are loaded and exchanged at high speed all over Japan. As for the corridors, fiber optics are said to be the main future method. Moreover, it is said that, not wanting to be left out of the multimedia boom, major firms such as NTT, Electric Power, and DDI [Dai-ni Denden] will all enter the field and that equipping the fiber optic network will become a major industry.

But the fiber optic network itself is a part of the infrastructure, so in the end, the kind of information which is carried on it will give it its value. That is the very reason that not only the MPT but the Ministry of International Trade and Industry [MITI], the Ministry of Transportation, and even the Ministry of Construction are vying to capture control over and benefits from information provision.

Especially the MPT, among them, made a bold decision for "tandem action between bureaus, in a vertically structured administration," something which was previously unthinkable in the conventional wisdom of the bureaucratic world.

This bold move began last May when an advisory body to the post and telecommunications minister, the Telecommunications Advisory Council (Chairman, Fumio Watanabe, adviser to the Tokyo Marine and Fire Insurance Co., Ltd.) made a report on a "multimedia vision." This report was entitled "Reform of an Intelligent Society in the 21st Century—an Information and Communications Infrastructure Program."

This report originally was to be submitted at the end of last March, but it was delayed and finally made public after two months.

"That was because MITI, which is the greatest rival for the MPT as far as multimedia is concerned, made the first move. As if targeting the time when the MPT was going to submit its report, a private advisory body to MITI's industrial policy bureau director called the 'Informal Discussion Group on a New Image Information Industry' generated a report. That report forecast the future picture of information service-related enterprises concerned with multimedia." (according to a senior official of the MPT)

The MPT, surprised by MITI's unexpected action, resolved anew that "We must come up with a report that will surpass the MITI report" (according to the previously quoted MPT official) and worked to refine the contents further.

It is clear even from the reports issue alone that intraministerial struggles are going on concerning multimedia. Among them, the picture of family strife between MPT and MITI is especially severe. The other ministries feel that "We are non- plussed at their overt displays of animosity." (according to a senior Ministry of Finance official)

At any rate, let me catalogue the important contents of the MPT's report.

In summary, the most important point in this report is the aim of extending the fiber optic network to every home by the year 2010.

In concrete terms, the report suggests dividing the process of building the fiber optic network into three stages: The first five years, between now and the year 2000, will be the "preliminary installation period" for setting up the network in prefectural capital cities; from then until the year 2005 will be the "full scale installation period" expanding to other cities with a population of 100,000; and from then until year 2010 will be the "mature demand period" completing efforts to furnish the system to every home.

"But, truth be told, such a plan is like a rote Buddhist prayer. The important thing is that it was decided that the development of the fiber optic network is fundamentally to be carried out by private sector leadership, and not led by the government." (an MPT senior officer)

"By the year 2000 at the latest we are planning to build a fiber optic network that will cover 20 percent of the entire Japanese population." (Yoichi Kawano, the deputy head of the Cablecast Division of the Broadcasting Bureau in the MPT) It is certain that the MPT is trying to establish the fiber optic communication network quickly.

Now, according to the multimedia concept which the MPT is advancing, "The fiber optic network market will reach 56 trillion yen [Y] by the year 2010. The multimedia market, which includes this fiber optic network market, will jump from Y16 trillion in 1990 to Y123 trillion. Also accompanied by an increase of market scale, the multimedia market will create employment for 2.43 million people in 2010."

When this hypothetical figure is compared to the total for all Japanese industry, it surprisingly occupies 5.46 percent of the projected GNP in 2010.

This is a figure which easily surpasses 4.59 percent (Y40 trillion in output) by the automobile industry (1990 actual results) and 3.06 percent (Y26 trillion in output) for electronics/communications equipment (1990 actual results).

It becomes clear that such a figure is not simply a theoretical one when one looks at the current situation of the United States, the leading multimedia country. In the United States, since 1991, the amount of investment in computers and communications-related industry has consistently surpassed the investment amount for other plant and equipment.

And the MPT intention is to place such a "figure" under its own influence.

To exchange large volumes of information at a high speed, computers ultimately have to be connected via fiber optic circuits. Therefore, the MITI multimedia concept places the provision of computers at the center of its plan. But the MPT plan differs in that it places establishing the basic fiber optic network at the center.

And including its previously mentioned report, the MPT side is assuming that the central players for establishing the fiber optic network will be telecommunications enterprises such as NTT and CATV. What is most important in the May report is the previously mentioned "union of communications and broadcasting." That is, to let the telecommunications enterprises and CATV enterprises compete on setting up the fiber optics network and, in the future, also to let these two compete on that network.

But currently NTT is regulated by the law on Class 1 telecommunication enterprises, and CATV is regulated by the Cable Television Broadcasting Law. To unite enterprises which are divided in law means that such regulations will have to be scrapped. Deputy Head of the Cablecast Division Kawano affirms that "We are also assuming the creation of a law which will replace the two current laws."

In other words, the MPT is trying dramatically to remove the barrier between communications and broadcasting. Along with that, the boundaries between the three telecommunications bureaus are disappearing.

As I introduced in the opening scene, the hearing concerning the telephone business in which a CATV enterprise representative testified is one concrete manifestation, and the atmosphere has fully penetrated the private sector. "As a result of the telephone enterprise hearing, guidelines are expected to come out by October. I feel that the direction of deregulation which the MPT is advancing is good for our business." (Yasushige Nishimura, deputy division head, Media Enterprise Division, Sumitomo Corporation)

Breaking Up NTT Is Absolutely Necessary

The MPT has continued the abolition of various regulations concerning CATV since it made public the "New Business Development—Measures for the Development of CATV" on 7 December last year.

December 1993—by abolishing the local enterprise requirement, it has become fully possible for CATV firms to develop business in a wide area.

Also in December 1993—As for the regulation of foreign capital, by relaxing maximum capital participation from less than one-fifth to less than one-third, joint ventures with foreign enterprises are being promoted.

July 1993—The door was opened to the CATV enterprises to expand to Class 1 telecommunications enterprises (developing CATV to DDI).

Moreover, the MPT gives extremely favorable treatment to CATV enterprises. As a result, the previously mentioned Director Arima of Tokyu Cable Television says, "It is safe to say that the regulations concerning CATV's turning toward multimedia are nearly all gone."

But why?

A senior MPT official says "The MPT is trying to nurture the CATV enterprises as the nucleus of a multimedia strategy, as a countermeasure against NTT, which it can not freely control."

In the MPT, it is the Communications Policy Bureau which takes the lead in multimedia promotion. Its head is Communications Policy Bureau Director General Mitsuo Igarashi, who is known to be an advocate of splitting NTT. Director General Igarashi is the MPT's trump card and is considered certain to assume the next administrative vice ministership of MPT. People even say "Whether or not the MPT can make the break from being a government field office and turn into a policy-making government office in the true sense depends on the success or failure of this multimedia concept. With all the more reason, the ministry's expectations for Director General Igarashi are great." (according to a senior MPT official)

But studying Director General Igarashi's past career carefully, one notices that he has had no experience as a director general in any of the three government field offices.

"In MPT history, there has been no administrative vice minister who had not served as a director general in the three field offices." (according to a senior MPT official)

In other words, the MPT's desire to control multimedia is so great that the center of power within the MPT has been clearly shifting to the three telecommunications bureaus. And as for Director General Igarashi, whatever it takes, he wants to put multimedia completely under MPT jurisdiction. And for that reason, it is necessary to split NTT.

"NTT insists on establishing the fiber optic network under private sector leadership. In fact, NTT could manage to promote it using its own funds. But if that were to be done, the MPT could not hold control. On the other hand, the CATV enterprises are like ants compared to the 'mammoth' NTT. They lack funds, but the MPT can easily control them. So the MPT treats them favorably and tries to place them under its control." (according to a senior MPT official)

The best "bait" offered is funds for setting up the optic fiber network.

As for the funds for setting up the fiber optic communications network, the MPT officially maintains, as mentioned earlier, that "Such infrastructure development should be led by the private sector." But the cost of establishing the fiber optic network infrastructure will amount to several tens of trillions of yen, and we cannot depend exclusively on private sector funds.

In fact, the MPT also clearly recognizes that it cannot depend only on the private sector.

"Government financial organizations such as the Japan Development Bank will provide financing. We are negotiating with the Ministry of Finance [MOF] now...." (according to the aforementioned Deputy Head Kawano)

Where will the financial resources for the Development Bank's financing come from? Naturally, it is Treasury loans and investments. The financial resources for Treasury loans and investments are postal savings and postal life insurance, which are under the control of the MPT....

Looking at it this way, it is a nicely conceived linkage of funds. Although they go through the Funds Management Division and the Development Bank, the MPT wants to spend the funds it has gathered for the purpose of expanding its own power.

In other words, while giving preferential treatment to the CATV enterprises in terms of funding and restraining the NTT, in the end the MPT seeks to place them under its control. For that purpose, it is necessary to defeat the NTT which will undoubtedly become a great power in this field. That is why splitting the NTT is absolutely necessary.

Koizumi's "Argument for Dissolution of the MPT"

But there is a member of parliament who stands in the way of the MPT's ambition. It is Jun'ichiro Koizumi, who was the Minister of the MPT in the Miyazawa Cabinet, the last Liberal Democratic one- party administration.

Koizumi became the minister for the MPT in December 1992. From the very start of his tenure, Koizumi took the position of being "anti-MPT" about everything. For instance, consider the issue of raising the maximum amount of the "Maruyu" [a tax relief system for interest on time deposits] for senior citizens. In connection with the 1993 tax revision, the MPT requested raising the previous limit of Y3 million to Y7 million. At that time, increasing the limit of the "Maruyu" was the greatest task for the MPT.

But Koizumi rejected it flatly. He dropped a bomb at the news conference he gave when he assumed the minister's post, right after the cabinet was formed.

"It is not necessary to raise the ceiling of the 'Maruyu' for senior citizens. We must not confuse the Maruyu and senior citizen issues. Moreover, national enterprises should not interfere in the private sector."

At that time, the MPT was controlled by Ichiro Ozawa (now the representative official of Shinseito [Japan Renewal Party]), and along with the Ministry of Construction, it was a stronghold of Ozawa's vested interests.

Koizumi challenged Ozawa's territory of interest.

The first chance Ozawa had to penetrate the MPT was when he participated as a special envoy of Prime Minister Uno in the U.S.-Japan telecommunications talks held in 1989 and achieved some success.

After these talks, the mainstream of the MPT tilted toward Ozawa, and in 1988 [year as published] an MPT bureaucrats group centered on Ozawa, the "Ichi no kai [association of Ichiro Ozawa]," was formed. To sum up the characteristics of this group, it was a kind of "bodyguard for Ichiro Ozawa" formed by high-ranking MPT officials. And its commander was Igarashi.

"To begin with, the 'Ichi no kai' was formed to create a structure in the MPT in which Igarashi was at the top and Ichiro Ozawa was the leader, to expand the MPT's power and interests." (according to a senior MPT official)

At that time, Koizumi was himself allied with Taku Yamazaki (Watanabe faction) and Koichi Kato

(Miyazawa faction)—the three together known as the YKK line—and was becoming increasingly anti-Ozawa.

In other words, the anti-Ozawa Koizumi had parachuted down alone as minister into the completely pro-Ozawa MPT. Through Koizumi's influence, Post Office Life Insurance Bureau Director General Kosei Egawa was made director general of the Broadcasting Bureau, and Director General of the Postal Savings Bureau Norimi Yamaguchi became the director general of the Telecommunications Bureau. That was because "He did not think the MPT custom was good by which five successive administrative vice ministers had been selected in advance." (according to Koizumi's associate)

Egawa, in the first place, had the nickname of "political director of the MPT" and was one of the influential members of the "Ichi no kai." He was said to be the "head worker for the Igarashi family." (according to a senior MPT official)

"As his nickname suggests, he is a very able manipulator of political power, but because he is older than his colleagues who entered the ministry with him, it was unanimously thought in the ministry that he would retire as the Post Office Life Insurance Bureau director general." (according to a senior MPT official)

But Koizumi did not let Egawa retire, but instead gave him the coveted high-profile post of head of the Broadcasting Bureau in the July 1993 shift of personnel. As a result of taming an influential pro-Ozawa member, Koizumi drove a wedge in the "Ichi no kai."

Yamaguchi, on the other hand, was also an outsider of sorts in the MPT to begin with. Because he had entered the ministry in the same year as Igarashi, everyone was certain that he would be moved out of the MPT this year or next.

"To ensure a smooth transition to a Vice Minister Igarashi structure, it was common knowledge that he would be 'pulled out' in the near future." (according to a senior MPT official)

But Koizumi put a stop to this move. As a result, Yamaguchi stayed on as Postal Savings Bureau director general in the July 1993 personnel shift and was appointed Communications Policy Bureau director general in July of this year.

It is also said that "Because of those personnel moves, it has become a delicate question whether post-Matsuno (current Administrative Vice Minister) will be decided on as smoothly as Igarashi. Now that Yamaguchi also remains as a candidate for vice minister, and...." (according to a senior MPT official)

An Igarashi "watcher" says that "It would not be at all likely that Igarashi as vice minister is going to change." None the less, the "Ichi no kai" activities have gradually diminished, and by the start of the LDP-SDPJ coalition government, it appears to have disappeared.

"The concession-granting authority for MPT which Ozawa was aiming to get was, in the first instance, telecommunications rights. But partly due to the effect of the Koizumi personnel moves, it has become impossible to completely control all three telecom bureaus utilizing the Ozawa-Igarashi 'line'." (According to a senior MPT official)

In some sense, the MPT is afraid of the shadow of Koizumi.

That same Koizumi dropped another bomb on the MPT.

At the end of last month he published a book entitled "An Argument for Scrapping the MPT—How To Interpret 'Concession Rights on Multimedia'" (co-authored with Ichiro Kajihara, published by Kobunsha). In the book, he developed a scathing criticism directed against the MPT.

Koizumi talked about his true intentions for publishing this book.

"Right now, administrative/fiscal reform is the greatest focal point. But when it comes to concrete proposals, there are not many; only arguments to privatize or abolish special corporations, etc. I do not think this is the answer. Fundamentally, what must be done—as a beginning—in order to conduct administrative/fiscal reform?

"The answer is Treasury loans and investment, which are called the 'second national budget'. If we tap Treasury loans and investment, one or two of the special corporations can easily be eliminated. Then, what are the financial resources for Treasury loans and investment? They are postal savings and postal life insurance. Moreover, postal savings and postal life insurance put pressure on the private sector. Besides, their bottom line is in the red. If that is the situation, then we should privatize them and introduce the principles of business. As for the three telecom bureaus, if there are duplicative elements with MITI and the Science and Technology Agency, then we could merge or abolish them."

This is a rather strong criticism against the MPT. If a surgical knife is thrust into Treasury loans and investment along this line of thinking, then it may become difficult for the MPT to gain a monopoly on multimedia concession-granting authority by taking in the CATV enterprises, as the MPT has expected it could.

The argument to split NTT, which was postponed once for five years in March 1990, will begin again next year. Not only the concerned parties, the MPT and NTT, but also each of the political, financial, and government sectors is holding its breath and watching the development of the situation. For Igarashi, who is director general of the bureau in charge, to set up the fiber optic network with the CATV enterprises as its main force and to strengthen MPT authority are the last hurdles to becoming vice minister.

The MPT has so far been up to the task of the political and intra-bureaucratic strife and has made a smooth transition from a bureaucratic office for field work to a policy-making office, skillfully taking advantage of multimedia promotion.

At last the time to complete the entire process has arrived. Whether the MPT can elevate itself to become a first class ministry or not; this must be the test.

North Korea

Kim Yong-sam's 'Policy Speech' Criticized

SK2110102594 Pyongyang KCNA in English 1011 GMT 21 Oct 94

["Poor Jargon of the Doomed Mortal"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The "policy speech" read by the "prime minister" at the puppet National Assembly Tuesday [18 October] on behalf of the traitor Kim Yong-sam was nothing but a scream of a wretched colonial stooge who is on the doorstep of death, estranged from the country, the nation and the people, declares NODONG SINMUN today.

The analyst says:

The "policy speech" of Kim Yong-sam does not deserve a passing note. It advertised a long string of policy blunders committed by him in more than one year since he took office as "achievements" and spun out monotonous, fantastic and contradictory phrases about next year's "administration of the state affairs" stimulating the appetite of the people.

The traitor was bold enough to "assess" the DPRK-U.S. talks, driveling that the successful conclusion of the talks at the second session of its third round laid "a foundation for security and peace on the Korean peninsula" and shamelessly claimed that his clique made some "efforts" for the goal of "a solution to the nuclear issue through dialogue" till the agreement between the North and the United States.

Kim Yong-sam who has no independence and could not wedge himself into the DPRK-U.S. talks is not entitled to assess the results of the talks between the dignified North and the United States.

It was none other than the traitor Kim Yong-sam who tried to lay a hurdle in the way of the talks, hating its opening from the beginning, and it was none other than his group which tried by hook or by crook to have "sanctions" taken and "a cooperative system" set up against the North, afraid of a peaceful solution to the nuclear issue on the Korean peninsula through dialogue.

Kim Yong-sam has earned himself fame at home and abroad as an incarnation of disguise and betrayal. But he had the cheek to wag his tongue about his "efforts" after obstructing the DPRK-U.S. talks, only to invite derision from the world people.

No less ridiculous of him is that he cried for the "resumption of North-South dialogue," contending that the successful conclusion of the DPRK-U.S. talks has created a phase for "North-South reconciliation".

It is preposterous for the wretch who denies peaceful reunification and dreams of "unification by prevailing over communism" through a war to talk about "reconciliation" and "dialogue." This is a mockery of the nation's desire for peaceful reunification.

The traitor Kim Yong-sam has no face to propose dialogue to us.

We cannot but strictly settle account with him for his criminal acts in training the gun at our aching heart and insulting the whole nation mourning the death of the father of the nation.

The traitor Kim Yong-sam sentenced to death by the whole nation does not have the sky to hold his head under or the ground to tread on. What remains to be done by him is to destroy himself.

If he refuse to do it, the angry South Korean people will bring down a sledge hammer on his head.

Kim Chong-pil Remarks on Security Law Criticized

SK2110044694 Pyongyang KCNA in English 0426 GMT 21 Oct 94

["Fascist Laws Must Be Repealed"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The traitor Kim Chong-pil, chairman of the "Democratic Liberal Party" of South Korea, in his "speech" at the puppet National Assembly on October 19 took issue with the North and insisted that the anti-reunification fascist "National Security Law" (NSL) should not be repealed, according to a radio report from Seoul.

This is a challenge to the desire of the entire fellow countrymen for the abolition of the notorious "NSL" and the reunification of the country and an open expression of the puppets' anti-democratic, anti-reunification position.

As is known to all, the "NSL" which defines the North as "an anti-state organisation" is an obstacle to reunification. That is why the home and foreign public circles strongly demand that the evil law be scrapped.

People are enraged by the traitor Kim Chong-pil's unreasonable insistence on the "NSL," a waste of the times.

Never should it go unnoticed that the traitor claimed that "the NSL is not an anti-democratic control mechanism" violating human rights.

His outcry defending the "NSL" is a crafty ruse to conceal his true colour as a fascist hangman.

The Kim Yong-sam group that insists on the "NSL," a product of the fascist dictatorial "government," must be overthrown as the violator of human rights and the obstacle to reunification and dialogue.

If peace on the Korean peninsula and the peaceful reunification of the country are to be achieved, the Kim Yong-sam puppet clique must be removed and the "NSL" and other fascist laws must be abolished without delay in South Korea.

Meeting Welcomes ROK Hanchongnyon Delegate

SK2110050494 Pyongyang KCNA in English 0436 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—A meeting of youth and students in Pyongyang was held on October 20 to welcome Choe Chong-nam, delegate of the South Korean Federation of General Student Councils (Hanchongnyon).

Choe Yong-hae, chairman of the Central Committee of the League of Socialist Working Youth of Korea, in his address recalled that after he arrived in Pyongyang on October 1, Choe Chong-nam had conducted mourning activities to convey to the brethren in the North the unanimous aspirations and will of South Korean students and people to cherish the great leader Generalissimo Kim Il-song, the tender- hearted father of the Korean nation and the lodestar of national reunification, forever in their hearts, unable to forget him, and made a great contribution to making the function an auspicious event common to the Koreans in the North, the South and overseas by participating in the ceremony for the completion of the reconstruction of the tomb of King Tangun.

The South Korean authorities, however, are crying for "total investigation" and "judicial treatment" by invoking the notorious "National Security Law" against the righteous activities of Choe Chong-nam in the North and are further intensifying the suppression, talking about "backstage manipulator" of Hanchongnyon", the speaker noted.

Declaring that the fellow countrymen's movement for national reunification will surely emerge victorious, the speaker said that the day of glory is drawing near when the 70 million fellow countrymen will hug each other in the reunified country as many patriotic champions of reunification including Hanchongnyon delegate, Choe Chong-nam, made a detour to come to Pyongyang from the South at the risk of their lives, since Yim Su-kyong, a delegate of the National Council of Student Representatives, visited the North in 1989.

In his reply address, Choe Chong-nam said that at this moment when the youth and students of the country refuse to live as a generation of the division and renew their determination to live as a generation of reunification, a new history of reunification has already started and the nation's desire for reunification based on the principles of independence, peace and great national unity has become an irresistible trend of time.

No matter how desperately the flunkeyist group of traitors in the South advocates such an evil law as the "National Security Law", vociferates about "unification of systems" and obstructs the improvement of the DPRK-U.S. relations and the signing of a peace agreement, we will certainly meet to lay a cornerstone for building a prosperous reunified state, he said.

The deeds of the South Korean "government" after the death of President Kim Il-song invite national resentment, he stressed.

He further said:

The present is the era of reunification. A handful of flunkeyist and traitorous forces will never block our way in this era of victory when the entire fellow countrymen and the whole nation sing of reunification and youths dream of their youthful life in the era of reunification.

We should wage an active struggle to replace the present Armistice Agreement, which may key up tension and war atmosphere any time, with a peace agreement.

He called for a dynamic advance toward the era of reunification, a new era in which the Korean nation will win and the breathing of the fellow countrymen will be open.

ROK Condemned for Suppressing Hanchongnyon

SK2110030194 Pyongyang Korean Central Broadcasting Network in Korean 1220 GMT 18 Oct 94

[NODONG SINMUN 18 Oct commentary: "The Nation Seller's Wielding of Swords Against Patriotism"]

[FBIS Translated Text] The Kim Yong-sam group babbled that it will arrest Choe Chong-nam, co-director of the Secretariat of the National Alliance of Youth and Students for the Country's Reunification [Pommchonghangnyon] and delegate of the South Korean Federation of General Student Councils [Hanchongnyon], upon his return to South Korea by invoking the National Security Law, branding his visit to and activities in Pyongyang as an unauthorized visit and activities benefiting the North.

This is a violent threat of the treachery to patriotism and arouses indignation and curse from the whole nation.

Speaking of the Hanchongnyon, it is a pro-reunification organization of 1 million students of South Korea. All the activities of the Hanchongnyon totally meet the will and desire of the South Korean people who aspire for independence, democracy, and reunification. All the activities in Pyongyang carried out by Choe Chong-nam, a student dispatched by Hanchongnyon to the North as its official delegate, conform to the will and desire of the

South Korean people, who love the country and the nation and hope for reunification.

Above all, it is a quite righteous act concerning ethics and morality rather than ideology, system, and ideal that Choe Chong-nam participated in the 100th day memorial service for the father of the nation. Expressing sincere condolences on the death of our nation's father and cherishing his memory has become the trend of the time for the South Korean people and students. Even a child knows that the activities of expressing condolences by reflecting the will of the South Korean people cannot be a crime.

It was also an entirely righteous act, which was motivated by the noble sense of obligation as a member of the nation, for him to have participated in the ceremony for the completion of the reconstruction of King Tangun's tomb and expressed a high praise and deep thanks to the great leader President Kim Il-song who discovered the ancestral father of our nation and exalted to the world the dignity and pride of the country with a history of 5,000 years.

If the members of the Kim Yong-sam regime have the blood of the nation inside them and have any morality and ethics, they should have apologized before the nation for their indelible crimes of using the national tragedy to instigate the North-South confrontation and maintain power. Also, they should have directly sent a condolence delegation to a memorial service on the 100th day of the great leader's death. Furthermore, they should have apologized to the whole nation for blocking with bayonets the South Korean people of different strata from visiting the ancestral father of the nation.

By incriminating his righteous activities in the North, the Kim Yong-sam group has fully revealed its barbaric color as a bastard of unknown nationality, and a depraved villain inferior to a dog who is ignorant of elementary ethics and morality, traditional etiquette of the nation and the ancestor.

Just as no village can be in peace with a mad dog, so the South Korean students and people cannot be safe at all, and national reconciliation, unity, and reunification of the country cannot be achieved with the traitor Kim Yong-sam left alone to run about madly in man hunting, utterly ignoring ethics, morality, and reason of humanity. Furthermore, it will be so under the condition in which the puppets continues to make last-ditched efforts to defuse the crisis of destruction.

It is a matter of course that a mad dog has to be caught with a club. The South Korean students and people are renewing their grit to tear down the Kim Yong-sam regime with their united struggle to pay back their blood shed during their struggle against it. The Kim Yong-sam group must squarely look at the reality, stop suppressing with the bayonet the students and people who desire reunification through alliance with communism and the North, and step down from power at once.

Arrest of ROK Students, Soldiers Condemned

SK2110101694 Pyongyang KCNA in English 1003 GMT 21 Oct 94

["Suppression of Ideology, Insult to Humanity"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The South Korean fascist clique arrested students of Wonkwang University and defence soldiers of a unit belonging to the puppet army, seven in all, with the mobilization of the police and even "the Defence Security Command" on the charge that they joined an academic organization called "Short-Term Student Union" and made an ideological study. Commenting on this, NODONG SINMUN today views this as an intolerable suppression of ideology.

The puppet clique's criminalization and suppression of students and people for their dissemination and study of a progressive ideology are, needless to say, a violation of human rights and an insult to humanity, the analyst says, and goes on:

Their study of a progressive ideology is an expression of the human spirit of independence, the desire to live a worthy life, freed from the nightmarish reality of South Korea which has been reduced to a hell on earth and from the influence of reactionary ideologies.

Nevertheless, the Kim Yong-sam group is harshly suppressing the adherents of a progressive ideology. This is a brigandish, high- handed act aimed at bringing the South Korean people to their knees before "the civilian" dictatorship.

Even the choice of ideology has become a target of suppression in South Korea. This reality eloquently shows that South Korea is a closed society of dictatorship little different from the past and is a graveyard of democracy and civil rights where fascism holds sway.

It is really ridiculous of the Kim Yong-sam group to embellish such a society with "liberal democracy." Freedom and democracy must be found in the life of the people, not in the lips of the rulers. Such freedom and democracy have never been seen and is not seen in South Korea. And they will never been seen there as long as the dictatorial rule exists.

The Kim Yong-sam group is suppressing students and people advocating progressive ideas on the charge of "enemy-benefiting acts." This only indicates that "the civilian regime" has be driven into a hopeless crisis.

Books on North's Politics Available in ROK

SK2110103694 Pyongyang KCNA in English 1022 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Books of the northern half of Korea have been published in South Korea in the teeth of fascist suppression by the authorities.

According to a South Korean newspaper report, more than 280 kinds of books of the North have been brought out in South Korea in recent years.

Most of them are works of the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il including "Kim Il-song's Selected Works", "On the Chuche Idea" and "On Some Problems of Education in the Chuche Idea" and books on the anti-Japanese armed struggle of President Kim Il-song and the chuche idea and on the advantages of the socialist system in the northern half of Korea.

Also published were books on social sciences including "History of Policies of the Workers' Party of Korea," "Brief History of the Workers' Party of Korea" and the full-length novel "The Sea of Blood" and other literary and art works.

More than 1,600 kinds of ideological books supporting the proposal for reunification through confederation and aspiring after socialism have been published. They are on sale at ordinary bookstores.

Vice Premier Chang Chol Meets PRC Delegation

SK2010152394 Pyongyang KCNA in English 1515 GMT 20 Oct 94

[FBIS Transcribed Text] Pyongyang, October 20 (KCNA)—Vice-premier Chang Chol today met and had a friendly talk with the visiting delegation of the Chinese People's Association for Friendship With Foreign Countries and the Sino-Korean Friendship Association led by Bai Ma, vice-governor of Qinghai Province and chairman of the provincial People's Association for Friendship With Foreign Countries, at the Mansudae Assembly Hall.

The head of the delegation expressed deep condolences on the death of respected President Kim Il-song.

"He was a great leader who devoted everything to the happiness of the people all his life," said the vice-governor.

Noting that the Korean people have made great achievements in socialist construction, he said:

"The Korean people have achieved an amazing development in all fields including the industry and agriculture.

"The Korean people owe the great turn in socialist construction to the wise leadership of respected President Kim Il-song.

"He defeated two imperialisms, U.S. and Japanese, and built socialism as it is today."

The Korean people have turned out to fulfill the instructions of the great President Kim Il-song, united ever closer around dear Comrade Kim Chong-il, said the head of the delegation, sincerely wishing them victory and prosperity in future.

DFRF Delegation Departs for PRC 20 Oct

SK2010152194 Pyongyang KCNA in English 1511 GMT 20 Oct 94

[FBIS Transcribed Text] Pyongyang, October 20 (KCNA)—A delegation of the Central Committee of the Democratic Front for the Reunification of the Fatherland [DFRF] headed by its Presidium member Chong Tu-hwan left here today for a visit to China.

It was seen off at Pyongyang railway station by Yom Tae-chun, Presidium member of the DFRF Central Committee, and Qiao Zonghuai, Chinese ambassador to Korea.

Kim Ki-nam Meets PRC Journalist Delegation

SK2110105694 Pyongyang KCNA in English 1050 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Kim Ki-nam, secretary of the Central Committee of the Workers' Party of Korea, met and had a friendly conversation with the visiting delegation of the All-China Journalists Association headed by Secretary Xiao Dongsheng at the Mansudae Assembly Hall today.

The head of the delegation said the great President Kim Il-song was a close friend of the Chinese people.

"He was the founder and outstanding leader of the Workers' Party of Korea and the Democratic People's Republic of Korea," Xiao Dongsheng said, adding: "He devoted his all to the happiness of the people and the building of socialism in his lifetime."

"While staying in Korea, we saw the Korean people in different parts of the country honor the memory of the great President Kim Il- song, visiting his statues day and night, and clearly realized how deeply they respected and revered the leader," he noted.

"The Chinese people will always cherish the memory of respected President Kim Il-song," Xiao said. "We firmly believe," he said, "that the fraternal Korean people will register greater achievements in the revolution and construction under the wise leadership of dear Comrade Kim Chong- il."

He stressed that nobody could break the Sino-Korean friendship and it would be everlasting.

PRC Law Society Delegation Departs for Home

SK2110115294 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 18 Oct 94

[FBIS Translated Text] The delegation of the PRC Law Society led by (Zhu Gongming), standing vice chairman of the society, returned home by air on 18 October.

Japan's Revisionism of WW II History Condemned

SK2110104994 Pyongyang KCNA in English 1045 GMT 21 Oct 94

["Militarist Ideological Offensive for Overseas Aggression"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The Eime and Aichi Prefectural Assemblies of Japan recently attempted to adopt "resolutions" claiming that the independence and prosperity of Asia is "a gift of the war dead of Japan", describing the past aggression of Japan as "an act that liberated Asian countries from the centuries-old western rule".

Branding this as a vivid example showing to what extent the attempts to beautify the past aggression and encourage militarism have gone in Japan, NODONG SINMUN in an article today says: The Japanese reactionaries are intensifying militarist ideological offensive while working to convert Japan into a military power, invariably seeking overseas aggression.

Their ideological offensive for opening a lawful way for reinvasion and driving the people into overseas aggression has been persistently made in various forms from long ago. They are, first of all, trying to distort and beautify the past history of aggression of Japanese imperialism. In early may Shigeto Nagano, the then minister of justice, argued that "it is wrong to define Japan's war with Asian countries as a war of aggression" and the then prime minister, Tsutomu Hata contended that the Asian aggression of Japan "cannot be called a war of aggression".

The Japanese textbooks of history in the 1980s beautified the colonial enslavement policy and looting by Japanese imperialism in Korea. They described the seizure of Korea's rights of diplomatic and domestic administration by Japanese imperialism as their acceptance under a "treaty", the massive plunder of land as "confirmation of land ownership", the March 1 popular uprising as a riot and the forcible labor drafting as "volunteering." And they described Japan's aggression on Asian countries as "an action for the liberation of colonies" and drastically understated the number of the Asians killed in the atrocities of Japanese imperialism. When the issue of the "comfort women for the army" surfaced in the 1990s, the Japanese reactionaries mentioned it in a very few history textbooks, distortedly to boot, not giving their total number nor using the word of "forcible drafting".

Noteworthy in the militarist ideological offensive is it that the war criminals are extolled to the skies.

On show are films praising the past criminal wars of aggression, heinous militarists and fascist elements. Tojo is extolled as "an ultra patriotic character" and "a hero", "Kimigayo", a hymn for the permanent maintenance of the emperor system, remains the national anthem and the blood-stained "hinomaru" (sun flag) the national flag.

Visit to the "Yasukuni Shrine" where the lists of the names of the soldiers of the Japanese aggression army who died in the war of conquest of Asia including A-class war criminal Hideki Tojo are preserved, is encouraged for the revival of the militarist ideological propaganda.

By refusing the judgment of the war of aggression of Japanese imperialism by history, Japanese cabinet ministers do not feel responsibility or compunction, far from repenting of the past acts of aggression. They, on the contrary, reveal without hesitation their revanchist aggressive scheme to start a war for conquering Asia, following in the footsteps of the war criminals.

If the Japanese reactionaries think they can invade and dominate Asian countries again, it is a foolish dream.

The Japanese reactionaries must squarely look at the reality and act with discretion.

Japanese Visitor on Kim Il-song, Kim Chong-il

SK2010150994 Pyongyang KCNA in English 1504 GMT 20 Oct 94

[FBIS Transcribed Text] Pyongyang, October 20 (KCNA)—Akira Iwai, chairman of the Japan Committee for Supporting the Independent and Peaceful Reunification of Korea, in an article written during his recent visit to Korea says "the image of President Kim Il-song as bright as the sun will always remain in our hearts."

The author notes that the 80 odd years of life of the great President Kim Il-song was a noble and glorious life devoted to the independence and freedom of Korea, to the happiness and prosperity of the people and to the global peace and independence and a shining course in which he performed immortal exploits for the Korean and world revolutions.

Recalling that he was honored with the audience of President Kim Il-song on four occasions, Iwai quotes Comrade Kim Il-song as saying: "I always find myself among the people to work out the state policies after hearing their opinion and it is my happiness to meet and talk with them."

Iwai further says:

Receiving precious teachings from President Kim Il-song, I realised how vital independence is to the destiny of the country and to the destiny of individuals.

Today, the Democratic People's Republic of Korea is firmly defending the banner of socialism, frustrating the moves of the world reactionaries to invade and isolate and stifle it, because it has been pushing ahead with the revolutionary struggle and constructive work, guided by the chuche idea founded by President Kim Il-song.

The author further says:

Politics centered on the people enforced by President Kim Il-song after he propounded the idea "believe in the people as in heaven" is being successfully carried forward by the respected leader Kim Chong-il.

Today, the Korean people boundlessly respect and revere the dear leader Kim Chong-il, saying that he is immediately President Kim Il- song, firmly convinced that victory and glory are always in store for them when they advance under his guidance.

The Korean people who are forcing their way through manifold difficulties in singlehearted unity with their leader Kim Chong-il under the guidance of the dear leader who devotes his all to the accomplishment of national reunification, always concerned about the people, are a happy people and they will certainly usher in a bright future.

Embassy Marks Anniversary of Ties With Russia

SK2110024094 Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 17 Oct 94

[FBIS Translated Text] A goodwill gathering was held at our country's embassy in Russia on 12 October on the occasion of the 46th anniversary of diplomatic relations between our country and Russia. The portraits of the great leader Comrade Kim Il-song and the dear leader Comrade Kim Chong-il were placed on the front wall of the venue.

Present at the gathering were (Aleksandr Vingrupsky), vice speaker of Russian State Duma; (Vladimir Rukin), chairman of the International Affairs Committee of the State Duma; Albert Chernyshev, deputy foreign minister; (Aleksey Bonomariov), chairman of the International Friendship and Solidarity Group with DPRK; State Duma deputies, and functionaries of the Foreign Ministry, Defense Ministry, and the Ministry of Foreign Economic Relations.

Our country's ambassador to Russia and embassy staffers also attended the gathering. Speeches were delivered at the gathering.

Indonesian Group Brings Gift for Kim Chong-il

SK2110105294 Pyongyang KCNA in English 1046 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Dear Comrade Kim Chong-il, the great leader of our party and our people, received a gift from the visiting delegation of the House of People's Representatives of Indonesia.

The present was handed to chairman of the Supreme People's Assembly Yang Hyong-sop by Speaker of the House Wahono [spelling of name as received], who is heading the delegation.

Indian Legislator on North's 'True Socialism'

SK2110102694 Pyongyang KCNA in English 1019 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Indian Parliamentarian A. Charles in an interview with KCNA in Pyongyang stressed that Korea's is a true socialism which inspires humankind with hope.

Giving his impressions of his visit to Korea, he said that the Korean people deeply respect and revere the great leader Comrade Kim Il-song. His death is a big loss not only to the Korean people but also to the progressive peoples of the world, he added.

Comrade Kim Il-song will live forever in the minds of the people, he said.

I was struck with admiration at the wise guidance of the great leader who led two revolutionary wars to victory and creditably built the country which had been reduced to ashes he noted.

He further said:

The dear leader Comrade Kim Chong-il is a great leader with a clairvoyant foresight and a genius of creation and construction.

World-startling miracles have been wrought in all domains of Korea under his guidance.

Korea is admired by the world people as a country centred on the popular masses because the Korean people fully enjoy an independent and creative life as the masters of the state and the society.

Peruvian Parties on Solidarity With Korean Cause

SK2110102494 Pyongyang KCNA in English 1015 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Twenty political parties and organisations of Peru including the Left Revolutionary Union, the National Liberation Front, the Socialist Party, the Communist Party and the General Federation of Peasants on October 13 called on all the progressive people, political parties and organisations of the world to express firm solidarity with the Korean people in the just cause of national reunification on the occasion of the month of support to the proposal for founding the Democratic Confederal Republic of Koryo (DCRK).

In a joint statement they said that the proposal for founding the DCRK is a most reasonable way of reunifying Korea peacefully at the earliest date possible and that "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" is a most fair and patriotic programme common to the nation.

The statement urged the United States to withdraw its nuclear weapons and all other forces from South Korea, replace the armistice agreement with a new peace arrangement, render a practical help to the reunification of Korea and prove its position for peace before the world people.

It also strongly urged the South Korean authorities to immediately pull down the concrete wall and stop at once the suppression of the South Korean people fighting for national reunification and democracy.

Foreign Groups Demand Repatriation of 'POW's'

SK2110104194 Pyongyang KCNA in English 1030 GMT 21 Oct 94

["Repatriation of POW's Demanded"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Indian and Jordanian public circles strongly demanded the repatriation to the northern half of Korea of Kim In-so, Ham Se-hwan and Kim Yong- tae who served in the Korean People's Army and are still kept in South Korea after long-term imprisonment for their refusal to be converted ideologically.

The All India Indo-Korean Friendship Association, the Indian Committee for Supporting Korea's Reunification and the Indian Committee for the Repatriation of Kim In-so and Ham Se-hwan to the North issued a joint statement on October 11.

The human rights of the old men, Kim In-so, Ham Se-hwan and Kim Yong-tae, are being ruthlessly violated in South Korea today more than 40 years after the end of the Korean War, the statement noted, stressing that their earnest desire to spend the remainder of their life with their families and relatives is an elementary right that must be realised either in view of international law or in view of humanitarianism.

The protection of their health, affection and care for them can be realised only in their socialist homeland, the Democratic People's Republic of Korea under the outstanding guidance of the great leader Comrade Kim Chong-il, it said, demanding that they be returned to the northern half of Korea immediately and that the South Korean authorities renounce their anachronistic anti-reunification, anti-national position and attitude.

Mustafa Jaber [spelling of name as received], chief of the Jordanian Group for the Study of the Chuche Philosophy, in a statement October 4 urged the South Korean authorities to immediately allow the three old men to return to their homeland and families, saying that they are undergoing sufferings nobody else has ever experienced in the world.

International Signature Campaign for Reunification

SK2010151594 Pyongyang KCNA in English 1506 GMT 20 Oct 94

[Spelling of all names as received]

[FBIS Transcribed Text] Pyongyang, October 20 (KCNA)—The signature campaign for supporting the proposal for founding the Democratic Confederal Republic of Koryo and "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" which were put forward by the great leader President Kim Il-song took place in different countries.

The signature paper was signed by Rolf Hagel, chairman of the Workers' Party-Communists of Sweden, Frank Baude, chairman of the Communist Party-KPML [expansion not given] (R) in Sweden, Carl Eric Isakson, president of the Communist Association of Sweden, Thomas Ronstrom, chairman of the Sweden-Korea Friendship Association, and Pas Mylly, chairman of the Swedish Committee for the Study of the Chuche Idea, on behalf of the members of their parties and organisations.

Pointing out that the proposal for founding the Democratic Confederal Republic of Koryo advanced by President Kim Il-song is the most realistic and reasonable one for achieving the reunification of Korea through confederation, the signature paper said the concrete wall and all other institutional, legal and physical obstacles to the reunification of the country and the great unity of the nation should be removed as early as possible.

On October 11, Ngoy Nduba, secretary general of the Lumumba Democratic Party of Zaire, signed the signature paper on behalf of 120,000 members of the party and the general secretary of the Youth Organisation under the party on behalf of 200,000 youths.

The signature paper was also signed by Marwan Sudah, delegate of the Islam World and Arab Region of the International Front Against Zionism, and Muhammad al-Isud, member of the Leadership Bureau of the Arab Progressive Baath Party, on behalf of members of their party and organisation.

Memorial Services for Kim Il-song Held Abroad

SK2110104394 Pyongyang KCNA in English 1035 GMT 21 Oct 94

[Spelling of all names as received]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Memorial services for the great leader President Kim Il-song were held in Kinshasa and Copenhagen and by the Supreme Council of the Nationalist Socialist Party of Syria in Lebanon on the hundredth day after his death.

The participants in the services paid a silent tribute to his memory.

Otete Gaston Mboyo, national chairman of the National Movement of the Genuine Lumumbist Combatants of Zaire, said in his memorial address:

"Comrade Kim Il-song was a national hero who smashed the anti- DPRK moves of the U.S. imperialists and the reactionaries and defended the dignity of the country and the nation, and an outstanding leader of the world revolution. His whole life was a life for defending the interests of the people under the motto of 'Believing in the people as in heaven.'"

Anders Kristensen, chairman of the Denmark-DPRK Friendship Association, said at a joint memorial service of political parties and organisations of Denmark that the 100 days after the death of the great President Kim Il-song were days of great sorrow to the Danish people as well as the Korean people.

Today the Korean people under the wise leadership of his excellency dear Kim Chong-il are continuously winning victories in socialist construction and the struggle for national reunification, he added.

Ali Hassan, general secretary of the Supreme Council of the Nationalist Socialist Party of Syria in Lebanon, stressed: "Comrade Kim Il-song will be immortal in our hearts, along with the great chuche idea which brightly illumines the road ahead of the revolutionaries of the world fighting for the freedom and liberation of the people."

Foreign Leaders Send Greetings to Kim Chong-il

SK2110050394 Pyongyang KCNA in English 0422 GMT 21 Oct 94

[All names as received]

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The dear leader of our party and our people Comrade Kim Chong-il received messages of greetings from foreign party leaders on the 49th anniversary of the founding of the Workers' Party of Korea [WPK].

The messages came from C.R. Aslam, president of the Pakistan Socialist Party; Narayan Man Bijukchhe, chairman of the Central Committee of the Nepal Worker-peasant Party; Pyotr Simonenko, first secretary of the Central Committee of the Ukrainian Communist Party; S. Kiyashiko, acting chairman of the political council of the Socialist Party of Ukraine; P.V. Svoik, co-chairman of the Socialist Party of Kazakhstan; Walid Joumblatt, president of the Socialist Progressive Party of Lebanon; Otete Gaston Mboyo, national chairman of the National Movement of the Genuine Lumumbist Combatants of Zaire; Mohamed Bel Hadj Amor, general secretary of the People's Unity Party of Tunisia; Chairman Rakutuvau Andriantiana and General Secretary Gisele Rabesahala of the party of the congress for the independence of Madagascar; Kimba Raymond, general secretary of the Congolese Communist Party; Sh. D. Shabdolov, chairman of the Central Committee of the Communist Party of Tajikistan; Adolfo Jarquin, national chairman of the Social Democratic Party of Nicaragua; Honorato Lando, chairman of the Liberal Democratic Party of Angola; Shadrak Niyonkuru, chairman of the People's Party of Burundi; Lambert Mende Omalanga, national chairman of the Lumumba Congolese national movement-original of Zaire; Talal Hafun Ala Mai, general secretary of the People's Unity Party (Unionist) of Jordan; Humberto Vargas Carbonel, secretary general of the Central Committee of the People's Vanguard of Costa Rica; Eduardo Mora Valverde, coordinator of the Central Committee of the People's Party of Costa Rica; Eleazar Gutarra Maravi, chairman of the Peruvian Nationalist Movement of Labour; Patricio Echegaray, general secretary of the Communist Party of Argentina; Guzman Rivera Castaneda, general secretary of the Revolutionary Socialist Party of Peru; and Rene Mauge Mosquera, general secretary of the Central Committee of the Communist Party of Ecuador.

The messages extend warmest congratulations to Comrade Kim Chong- il on the founding anniversary of the WPK and wish him good health and a long life.

They express the belief that the WPK under the wise guidance of Comrade Kim Chong-il will certainly accomplish the revolutionary cause of President Kim Il-song.

He also received a message of greetings from eight political parties of Madagascar including the Central Committee of the Monima Socialist Organisation in joint name on the occasion.

Home-Visiting Group Aids Monument Construction

SK2110051094 Pyongyang KCNA in English 0457 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The members of the home-visiting group of students of Korean University under the General Association of Korean Residents in Japan (Chongnyon) headed by Kang Song-on staying in the socialist homeland on October 20 helped in the construction of the monument to the founding of the Workers' Party of Korea in Pyongyang.

The members of the home-visiting group visited the construction site of the monument which will be built on the occasion of the 50th anniversary of the founding of the Workers' Party of Korea (October 10, 1945) and helped the constructors there.

The head of the group said that they were deeply moved to see the builders speeding up the construction by changing their deep sorrow at the loss of the great leader President Kim Il-song into strength and courage. Magnificent monuments are being built one after another in our homeland because the party, the leader and the people are great, he added.

We will dynamically fight for the prosperity and development of the socialist homeland under the guidance of respected General Kim Chong-il, bearing deep in mind the conviction that we will certainly win if we are guided by him, the head of the group stressed.

Visits Kim Il-song's Statue

SK2110050094 Pyongyang KCNA in English 0439 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Home-visiting groups of Korean students in

Japan called at the statue of the respected leader President Kim Il-song standing on Mansu Hill right after they arrived here on Thursday.

They laid bunches of flowers before the statue and paid a silent tribute to the memory of President Kim Il-song.

Noting that they wanted to see the fatherly leader Generalissimo Kim Il-song even in dream, Kang U-il, head of a group, said: "The fatherly leader, who gave national dignity to the Korean residents in Japan, left us to our deep sorrow."

He declared they would overcome the sorrow with strength and courage, cherishing deep in mind the behests of the great Generalissimo Kim Il-song, and uphold respected General Kim Chong-il with more intensive loyalty and filial piety than they did Generalissimo Kim Il-song.

Kim Chong-il Thanks Student Group

SK2110050694 Pyongyang KCNA in English 0442 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—Dear Marshal Kim Chong-il, the great leader of our party and our people, extended thanks to the members of a home-visiting group of students of Korean University under the General Association of Korean Residents in Japan (Chongnyon) headed by Kang Song-on for doing a lot of good things in Pyongyang, Mt. Paektu area, Kaesong and other areas with deep reverence for the great leader Generalissimo Kim Il- song during their visit to the homeland.

They laid wreaths and bouquets of flowers they brought from Japan before statues of the great leader standing on Mansu Hill and in Mt. Paektu and Kaesong areas. Visiting Mt. Paektu, they made bouquets with rare wild flowers loved so much by Generalissimo Kim Il-song and laid them before his statue on Mansu Hill.

During their 40 odd day stay in the homeland, they did their utmost to preserve and build better the revolutionary battle sites and revolutionary sites in Mt. Paektu area.

They also rendered material and moral assistance to the reconstruction of the King Tangun's tomb in the hope of contributing, even a little, to the fulfilment of the behests of the fatherly leader Generalissimo Kim Il-song.

Scrap Iron Collected for Chollima Steel Complex

SK2110014494 Pyongyang Korean Central Television Network in Korean 1100 GMT 14 Oct 94

[FBIS Translated Text] Working people of various stratum in Nampo City, who are determined to vigorously uphold and implement the will of the great leader, collected a large quantity of scrap iron and transported it to the Chollima Steel Complex.

Engraving in every heart the great leader's will to further develop the metal industry, functionaries and working people of various plants, enterprises, and cooperative farms in Nampo City vigorously carried out the scrap iron collection movement and gathered a large quantity of scrap iron in a short time. They visited the working class of Chollima Steel Complex with the scrap iron and encouraged their struggles.

Encouraged by the strong support, the working class of Kangson reconfirmed their ardent resolve to uphold the dear comrade leader with increased steel production and further glorify the popular mass-centered socialism of our own style.

Officials Attend Opening of Sports Championships

SK2110051294 Pyongyang KCNA in English 0501 GMT 21 Oct 94

[FBIS Transcribed Text] Pyongyang, October 21 (KCNA)—The championships of the Democratic People's Republic of Korea opened in Pyongyang on October 20.

Many sportsmen and sportswomen from the capital and local areas who gave good accounts of themselves in international and national tournaments will compete in the championships.

The championships include more than 30 events including field and track, volleyball, football, handball, table tennis, tennis, boxing, wrestling, weightlifting and gymnastics.

An opening ceremony of the championships took place at Kim Il- song Stadium.

Present together with sportsmen and sportswomen were Kim Chung- nin, secretary of the Central Committee of the Workers' Party of Korea; Chang Chol, vice-premier of the Administration Council; Choe Yong-hae, chairman of the Central Committee of the League of Socialist Working Youth of Korea and other officials concerned.

Pak Myong-chol, chairman of the State Commission of Physical Culture and Sports, in his address at the opening ceremony said that the dear leader Comrade Kim Chong-il gave comprehensive answers to theoretical and practical matters arising in developing the sports of the country including the question of creating Korean-style sports technique, tactics and training method.

All the players who are taking part in the championships should make an active contribution to the development of the country's sports technique by giving good accounts of themselves in all events, the speaker stressed.

South Korea

U.S. To Give North Guarantee Letter on Reactors

SK2110080594 Seoul YONHAP in English 0705 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—The United States will deliver a presidential letter to

North Korea guaranteeing the provision of light-water reactors and an interim energy supply in Geneva Friday when the two sides sign a nuclear agreement, officials here said Friday.

Ambassador-at-Large Robert Gallucci will hand the letter to North Korean Vice Foreign Minister Kang Sok-chu just before they initial the accord, the officials said.

The letter is part of the just-concluded nuclear agreement that says the United States must guarantee, within one month after inking the accord, that it will arrange the provision of new reactors and alternative energy in the interim.

North Korea, in return, will freeze all activity at its graphite- moderated reactor, meaning no reprocessing of spent fuel rods and no reloading of fuel. It must halt construction of 50-megawatt and 200-megawatt reactors as well.

President Bill Clinton's guarantee covers the supply of energy, starting from 50,000 tons of heavy fuel within three months of the agreement's signing and gradually increasing to an annual 500,000 tons.

This is designed to compensate North Korea for the loss of energy from disengaging its reactors.

Issue of KEDO Participating Nations Analyzed

SK2110051794 Seoul HANGUK ILBO in Korean 20 Oct 94 p 2

[Article by Ko Tae-song]

[FBIS Translated Text] The participation and coordination of countries concerned, including the ROK, the United States, Japan, the PRC, and Russia, in the construction of light-water reactors and the supply of alternative energy for North Korea was a prerequisite of the final settlement of the North Korea-U.S. talks for the resolution of the North Korean nuclear issue. The ultimate resolution of the North Korean nuclear issue projects a great change in economic, material, as well as political and diplomatic relations surrounding the Korean peninsula, accentuating the interests of the countries concerned. A government official said: "Even though the countries concerned are pursuing a common goal of dispelling the North Korean nuclear threat, they also have their individual interests. From a long-term point of view, it is the ROK's task to coordinate such interests and secure the leading role." The process of implementing the North Korea-U.S. agreement will be another testing stage for the ROK's diplomacy.

The North Korea-U.S. agreement stipulates that a contract to supply light-water reactors to North Korea be concluded within six months after the signing of the agreement. The United States has to finalize in six months the participating countries of the Korea Energy Development Organization (KEDO), a tentative name for the inter-government consortium in charge of th light-water reactors for North Korea. The consortiu will be pivoted by the ROK, the United States, an Japan, but the policy is to have as many participants a possible. Adjusting the financial share of each countr and their participation in the construction of light-wat reactors can be unexpectedly complicated. It was unde stood that the ROK will have the largest share becaus the KEDO will build "ROK-standard light-water rea tors." However, the participating countries will all wan to share the minimum cost and gain maximum partic pation of the construction. Therefore, in addition t being an international coordination system, the KED is also a competition. For instance, Russia has n completely given up on providing the Russian-type ligh water reactors.

The KEDO will also deal with alternative energy f North Korea, where the interests of the participatin countries are expected to be more acute. The light-wat reactors are on a compensation basis but the alternativ energy is free. The ROK Government reportedly will n participate in providing alternative energy, but there is good possibility that the ROK will have to bear th additional cost for alternative energy in the negotiatio process of constituting the KEDO.

North Korea's implementation of the agreement is prerequisite of the "coordination through competition by the participating countries, however, coordinatio will be more important when North Korea does n comply in the course. The participating countries shoul exercise joint pressure so that North Korea implemen the agreement. They should also act consistently an take corresponding measures in the event North Kore breaks faith. It is very important for the ROK Gover ment to obtain prior assurance from the countries co cerned because their appraisal of North Korea's no compliance may differ according to their relations wit North Korea or economic interests.

In view of the outline of the North Korea-U.S. agre ment, the role of the International Atomic Energ Agency [IAEA] will be vital to the complete resolution the North Korean nuclear issue. In addition to i original duties of the surveillance of present and futu nuclear activities through the resumption of ad hoc an general inspections [imsi mit ilban sachal], and th assurance of the transparency of past nuclear activiti through special inspections [tukpyol sachal], the IAEA entrusted with an additional privilege of the surveillan of the close down and dismantling of the nuclear facil ties in accordance with the North Korea-U.S. agreeme In summary, the ROK Government should be equipp with an integrated ability to maintain close coordinatio with the countries and international organizations co cerned. Such a coordinating ability is also required adjusting the speed of the political and diplomatic rus to North Korea and keep it in harmony with Nort South relations.

Poll: Six of Ten Willing To Pay for Reactors

SK2110123994 Seoul CHUNGANG ILBO in Korean 21 Oct 94 p 3

[Article by correspondent Kim Haeng]

[FBIS Translated Text] Six out of 10 South Koreans have expressed a willingness to bear the cost of aiding in North Korea's construction of light-water reactors. Of course, citizens are roughly divided as to whether they are content with the results of the U.S.-North Korea talks in Geneva. About 60 percent of the citizens worry that North Korea might not faithfully fulfill its commitment. Under these circumstances, a majority of citizens have shown a willingness to bear the cost because, on the whole, they expect the U.S.-North Korea talks will lead to improved South-North relations and the galvanization of economic cooperation between the South and North.

It is expected we will have to pay about 2 trillion won to assist North Korea's construction of light-water reactors; in this case, each citizen will have to pay about 60,000 won. According to a poll on "the settlement of the North Korea-U.S. negotiations" conducted by CHUNGANG ILBO's Poll Survey Team on 19 October, 59.6 percent of those questioned answered they were willing to bear the cost.

A high percentage of those with higher learning backgrounds, who generally are critical of the government's position under other circumstances, expressed a willingness to bear the cost (63.8 percent of those who attend colleges or universities, or who have higher academic background; 59.2 percent of high school graduates; and 53.5 percent of middle school graduates or those who have a lower academic background). This shows that although they are not content with the results of the talks (46.3 percent are in the "I am content" category, while 43.9 percent are in the "I am discontent" category), they seem to have judged, based on benefits and losses, that it is necessary to aid North Korea in constructing light-water reactors.

First, as to the benefits we are supposed to gain, 70 of those questioned (15.9 percent are in the "We will benefit greatly" category, while 55.2 percent are in the "We will benefit generally" category) think South-North economic cooperation will be galvanized by the ROK's assistance in constructing North Korea's light-water reactors; 25.2 percent are in the "We will not benefit much" category, while 2.4 percent are in the "We will not benefit at all" category. The respondents estimate this will also be helpful in improving South-North relations (11.0 percent are in the "This will be very helpful" category; 54.9 percent are in the "This will be generally helpful" category; 30.3 percent are in the "This will not be so helpful" category; and 3.0 percent are in the "This will not be helpful at all" category). They also feel the possibility for resuming the South-North dialogue within this year has increased (55.0 percent are in the "There is such a possibility" category, while 43.8 percent are in the "There is no such possibility" category).

Compared with a survey conducted before the North Korea-U.S. talks, an increased number of citizens think the possibility of war on the Korean peninsula has decreased (15.0 percent think "such a possibility has decreased greatly"; 48.3 percent think "such a possibility has decreased generally"; 31.3 percent think "such a possibility has not decreased much"; and 4.5 percent think "such a possibility has not decreased at all"). As to a decision to suspend this year's Team Spirit exercise, 53.8 percent of those questioned responded affirmatively.

This notwithstanding, a considerable number of citizens are concerned about the possible loss we might suffer. Six out of 10 citizens are worried North Korea will not faithfully implement the agreements reached at the talks. A slightly larger percentage feel the settlement will not lead to a freeze in North Korea's nuclear activities (45.2 percent are in the "This will not lead to a freeze in North Korea's nuclear activities to a high degree" category, while 7.2 percent are in the "This will not lead to a freeze in North Korea's nuclear activities at all" category).

An overwhelming number of respondents (82.1 percent) are of the opinion it is mandatory to obtain the consent of the National Assembly as part of the process to achieve a national consensus on the ROK's support for North Korea's construction of light-water reactors.

Meanwhile, most of the respondents are showing a prudent attitude toward future South-North dialogue and economic cooperation and toward contacts with the North, saying such matters should be conducted in an orderly fashion. The majority of citizens (58.6 percent) feel summit talks with Kim Chong-il should be pushed for in a prudent manner, taking account of the North Korean situation. More than 95 percent of those questioned, including 37.0 percent who believe a summit should be realized as early as possible, hope for a South-North summit. The respondents also stressed the need to be prudent as to the timing of opening liaison offices in the North and the United States (75.6 percent), and to economic cooperation with the North (63.1 percent).

In addition, 61.1 percent are of the opinion that economic cooperation should be implemented under the auspices of the government, while at the same time giving priority to listening to the opinion of enterprises; 26.5 percent feel economic cooperation should be left completely to the free discretion of enterprises, thereby showing that more than 80 percent are thought to prefer market principles.

A total of 1,004 citizens across the country who are 20 or older were polled via telephone using random samplings from telephone directories. The margin of error is plus/minus 3.1 percent with a 95 percent credibility level.

Full Disclosure of U.S.-DPRK Agreement Urged

SK2110092094 Seoul TONG-A ILBO in Korean 21 Oct 94 p 3

[Editorial: "All the Contents of North Korea-U.S. Agreement Must Be Disclosed"]

[FBIS Translated Text] The U.S. chief delegate to the North Korea-U.S. talks in Geneva revealed there is a confidential memorandum (secret auxiliary agreement) attached to the basic agreement. The contents are not available, but supposedly concern the implemental details of the agreement.

How perplexing and dubious. Which country is effected by this issue and who is paying for the light-water reactors? Why should South Koreans not know of this? The North Korean nuclear issue is a life-or-death matter for the Korean nation, and we are paying for over 50 percent of the $4 billion expense. As far as the North Korean nuclear issue is concerned, it is only reasonable and expected that all South Koreans know the contents of the agreement. Of course, there are things that need to be disclosed or concealed for a certain period in any international diplomatic negotiation. In regard to the North Korean nuclear issue, however, everything should be disclosed.

Another reason the contents should be disclosed is that the North Korean nuclear issue is not an issue concerning just the Korean peninsula or East Asia, but the entire world. Why is the worlds' mass media following the Geneva talks and allotting so much space for related reports? The international community is maintaining and expanding on a worldwide level the application of the Nuclear Nonproliferation Treaty [NPT] that bans the proliferation of nuclear weapons, the transfer of such weapons to third parties, and the development of nuclear weapons by non-signatory nations.

The United States made concessions regarding special inspections first and light-water reactors later, which had been agreed upon earlier between the ROK and the United States, in order to settle the negotiations on the North Korean nuclear issue. The background of the concession was the U.S. concern that the basis of the NPT might be shaken due to North Korea's nuclear development. The Geneva UN arms reduction talks led by the United States are negotiating the expansion of the NPT and the complete ban on nuclear tests to create an ultimate "nuclear threat-free world."

In light of such an international trend, there is no reason the results of the hard-won negotiations should not be disclosed. The secrecy of the North Korea-U.S. agreement will only amplify the suspicion of those countries who want to participate in the NPT. Another important factor is the well-known nature of North Korea. Pyongyang made numerous promises and agreements with South Korea, but has distorted them with arbitrary cancellations, non-compliance, and absurd interpretations. The best example is the basic agreement between the South and North. Had the declaration on the denuclearization of the Korean peninsula been implemented, the North Korea-U.S. negotiations would have been unnecessary.

The exchange of seperated families in the South and North was also violated from the start by a single North Korean phrase. Thus, the confidential memorandum was probably requested by North Korea. The international community, particularly the United States, should not be dragged around by North Korean requests. Disclosing all contents of the Geneva agreement to the world will be a solid international guarantee to prevent another breach of the agreement by North Korea. Moreover, the international community has a right and obligation to know all the contents of the agreement.

North Requests General Assembly Revise Resolution

SK2010150394 Seoul KBS-1 Radio Network in Korean 1435 GMT 20 Oct 94

[FBIS Translated Text] North Korea requested a revision of the resolution regarding nuclear inspections of North Korean facilities, presented to the UN General Assembly. On 20 October Pak Kil-yon, North Korean permanent representative to the UN mission, requested the United Nations welcome the result of the U.S.-DPRK talks and revise the content of the resolution before the UN General Assembly so the contents of the agreement can be completely implemented.

United Nations officials revealed that today's UN General Assembly planned to discuss whether to adopt the resolution, but decided to postpone the adoption of the resolution after accepting the North Korean request to hold unofficial discussions.

U.S To Ease Communications Regulations on North

SK2010145194 Seoul KBS-1 Television Network in Korean 1215 GMT 20 Oct 94

[FBIS Translated Text] It has been learned that as the first measure in normalizing relations between the United States and North Korea, the two sides have decided to include in the basic agreement to be signed on 21 October a provision stating that regulations limiting mutual communications and financial assistance will be abolished. The following report is by Yi Kwang-tok.

[Begin Yi recording] A well-informed diplomatic source revealed that the United States and North Korea will lift the regulations on communications in the near future. This source further stated that the United States and North Korea revealed the basic agreement to be signed on 21 October stipulates that regulations on mutual communications will also be eased.

If both sides ease regulations on communications, general telephone calls between Washington and Pyongyang as well as facsimile communication, both of which are currently prohibited, will be possible.

This source further explained that the reason the United States and North Korea decided to normalize communications first is related to the fact that discussions on establishing mutual liaison offices will soon be held in Washington.

It has also been learned that the United States and North Korea included in basic agreement a provision that regulations on financial transactions against North Korea will be eased. It has been learned the reason the United States decided to ease regulations on financial transactions is to supply heavy oil—an alternative energy source—which will total about $5 million this year. [end recording]

DP Proposes Liaison Offices in Seoul, Pyongyang

SK2110003994 Seoul THE KOREA TIMES in English 21 Oct 94 p 1

[FBIS Transcribed Text] Main opposition Democratic Party [DP] chairman Yi Ki-taek yesterday urged the government to review all its North Korea and diplomatic policies to cope with an era of the inter-Korean reconciliation and cooperation which "will eventually be brought about by the Pyongyang-Washington accord in Geneva.

As a part of measures to promote inter-Korean economic cooperation, Yi proposed the opening of liaison offices in Seoul and Pyongyang. "The opening of the offices should take place simultaneously with the opening of the liaison offices by Washington and Pyongyang," he told the National Assembly.

The opposition leader hailed the outcome of the nuclear talks between North Korea and the United States as providing the momentum to resolve tension on the Korean peninsula and bring about inter- Korean reconciliation.

However, Yi severely criticized the government diplomatic policy for lacking systematic and consistent strategy, saying, "The biggest political blunder the Kim Yong-sam administration of its first two years has been in diplomatic policy."

"The current administration should explain and apologize to the people for the confusion and loss of national interest caused by its inconsistent diplomatic policy," he stressed in a keynote speech.

Yi urged the government to work out a consistent diplomatic and North Korea policy aimed at setting up cooperative relations with neighboring countries and realizing eventual national reunification.

"Now the government should make use of this momentum to resolve the inter-Korean relations ourselves by realizing a summit between the two Koreas," the leader of the nation's second largest party said.

He maintained again that the National Security Law should be replaced with a new law aimed to protect democratic order for the progressive development of inter-Korean relations.

The DP leader also charged the North with having isolated Seoul from its negotiations with Washington on the nuclear issue.

"While claiming that an issue of Korean nation should be solved by the two Koreas, Pyongyang just insists on relations with Washington. This goes against the principle of self-reliance that it has boasted of so far," he said.

Yi called for the resignation of all Cabinet members, claiming they are responsible for what he called "today's total crisis in this country."

"The new Cabinet will have to comprise figures committed to real reform of the country," Yi said, putting forward "a reform Cabinet's five tasks for the reform of state affairs."

The five tasks are: Elimination of corruption and establishment of safe public life, recovery of social morality; reform of administrative structure; reform of economic structure; and opening of an era of South-North reconciliation.

The chairman of the nation's largest opposition party made it clear that his party will not support the National Assembly ratification of the establishment of the World Trade Organization, the center piece of the Uruguay Round multilateral trade agreement.

"If the government needs the DP's support, it must first present a plausible and concrete plan to revive the nation's sagging agricultural industry," Yi said.

Referring to the recent surge of horrible murders, he stressed the need for a "national campaign to recover morality," calling on the government to push an institutional reform aimed at eradicating corruption from society.

Government on Nonpolitical Inter-Korean Exchanges

SK2110140094 Seoul HANGYORE SINMUN in Korean 21 Oct 94 p 1

[FBIS Translated Text] As a result of the settlement in the North Korean-U.S. talks, the government has decided to fully allow North-South exchanges in nonpolitical fields, including academic, cultural, and religious areas.

On 20 October, a government official stated: "Because of the North Korean nuclear issue, the government has so far barred scholars, artists, and religious men from contacting figures in North Korea, except for meetings at international conferences." He stated: "In its plans to promote exchange between North and South, which will be announced following the agreement's official signing on 21 October, the government will clarify its intention to allow North-South exchanges in social and cultural areas." However, he added: "The government will continue to prohibit people from participating in events that are regarded as being held by North Korea as a part of its reunification front tactics, including the Pannational Rally." When the plan is announced, it is likely scholars and artists from North Korea will freely participate in academic meetings and cultural events in South Korea.

Along with this, the government will allow journalists to cover news in North Korea if North Korea invites them.

The government did not allow Yim Tae-tok, vice chairman of the North Korean Committee To Promote External Economic Cooperation, to visit Seoul, even after he had notified South Korea of his intention to participate in the seminar on the Najin-Sonbong Free Economic Trade Zone held by the European Chamber of Commerce in the ROK early this month. The government has not allowed scholars, religious men, and artists to visit North Korea. Also, the government has refused 23 applications by citizens for permission to invite North Korean figures.

Trade Ministry on N-S Investment Principles

SK2110025194 Seoul YONHAP in English 0239 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—The government plans to work out "investment principles and priorities" for South Korean businesses to prevent overheated competition in case South-North economic cooperation is activated by the Washington-Pyongyang nuclear accord.

On top of that, the government is seeking ways in which the Federation of Korea Industries (FKI) can examine the feasibility of investment by large conglomerates and the Korea Federation of Small Business (KFS) the advancement by small and medium-sized firms. Under the plan, companies must attach the economic bodies' opinions when they present investment applications to the National Unification Board.

According to the Trade, Industry and Energy Ministry Friday, the scheme comes from the government's judgement that state intervention should be curbed in the field of South-North economic cooperation in order to respect private sector self-regulation and enhance deregulation.

The investment principles will include details on business management participation, with production of North Korean daily necessities to be encouraged but areas such as real estate and bonds limited, the ministry sources said.

In connection with investment priorities, labor-intensive light industry such as textiles and sewing will take priority in the early stage. When businesses in the same field compete, investments already approved through agreements between South and North Korea will be given weight.

But the government will offer guidance to large firms whose investments cover several fields, asking them to specialize by designating particular projects.

In examining feasibility, the Council for South-North Economic Cooperation of KFS will be in charge of small and medium-sized firms and the newly established office of exchanges and cooperation of FKI the big companies, according to the sources.

Economic Planning Board on N-S Cooperation

SK2110023494 Seoul YONHAP in English 0226 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—The government will shortly start preparing for full-fledged economic relations with North Korea now that the nuclear issue is to be resolved with the signing of the North Korea-U.S. accord in Geneva on Friday.

Economic cooperation with Pyongyang will be promoted on the basis of the North Korean section of the five-year economic development plan launched last year, with the joint South-North Economic Exchange and Cooperation Committee playing the key role, according to the Economic Planning Board Friday.

The joint committee is co-chaired by the South's Vice Economic Planning Minister Kang Pong-kyun and the North's Vice Chairman Kim Chong-u of the External Economy Commission.

The Economic Planning Board has already instructed the Finance, Trade-Industry-Energy, Construction, Transportation, Communication, Labor, Agriculture-Forestry-Fisheries and Science-Technology Ministries to prepare plans for economic cooperation with the North in their respective areas, with a view to drafting a master plan for inter-Korean economic cooperation.

The master plan will follow, in principle, the three-phase development of inter-Korean economic cooperation called for by the five-year plan, with modifications deemed necessary as a result of developments in inter-Korean relations since early last year, an official said.

The master plan will also pave the way for inter-Korean agreements on open-account settlement of trade, guarantee of investment returns, double taxation avoidance, inter-Korean communication and transportation networks and trade dispute settlement, as well as on new functions the joint committee is to perform in inter-Korean economic cooperation.

The official said there would be no change in the policy for the three-phase promotion of inter-Korean economic cooperation, as envisioned by the five-year plan. But he added: "Because the five- year plan gave a framework of promoting inter-Korean economic cooperation, we have to draw on the ideas of related ministries in making down-to-earth preparations for the expected growth in economic relations with the North. [no closing quotation mark as received]

Daewoo Plans To Operate Plants in North's Nampo

SK2110141094 Seoul CHOSON ILBO in Korean 21 Oct 94 p 10

[Report by correspondent Sung In-pae]

[FBIS Translated Text] Upon approval by the concerned authorities regarding a pilot project in the Nampo Industrial Estate in North Korea, and in accordance with the progress [as published] in South-North relations, the Daewoo Business Group will invest manpower and material into the project and will immediately begin operating plants there.

On 20 October Pak Chun, member of Daewoo's Board of Directors, said: "North Korea has recently completed three plants in Nampo Estate that will manufacture shirts, blouses, jackets, and bags. This is part of an agreement reached with North Korea's Samcholli Corporation in 1992. We are fully prepared to begin operation of those plants as soon as the concerned authorities decide on an appropriate policy."

He added: "At the moment, we have already received approval that allows us to do business there. In the future, if we receive further approval granting us permission to engage in concrete business operations, we will be able to send a group of management personnel to train North Korean technicians and will be able to transport raw material to use in the production of goods in the North. In light of the fact that it has already built those plants, North Korea also seems to have taken much interest in the joint venture project in Nampo Estate."

It has been learned that besides constructing three plants in Nampo Estate, North Korea has also recently built an expressway between Nampo and Pyongyang, and constructed a water-supply facility which can supply the plants with 80 tonnes of water per hour, thereby showing it is eager to establish an infrastructure for the estate.

DMZ Conversion Into Development Areas Studied

SK2110131094 Seoul CHOSON ILBO in Korean 21 Oct 94 p 1

[FBIS Translated Text] The government has considered designating ten counties located near the Demilitarized Zone [DMZ] as development-promoted areas, and plans to build "North-South Economic Cooperation Zones" or "Science and Technology Cooperation Zones" in these areas in order to promote trade, distribution, exhibition of goods, and joint production.

The government plans to build a Peace City in the southern area of the Demilitarized Zone to promote free contact between people from the North and South, and to accelerate exchange and cooperation. It also plans to use the city as a major base to promote North-South trade exchanges. On 19 October, a high-level government official stated that "because of the settlement of the North Korean nuclear issue, and because North-South relations are improving, the government has designated those areas near the Demilitarized Zone as development-promoted districts in order to promote exchange between the North and South." They include Kanghwa, Ongjin, Kimpo, Paju, and Yonchon Counties in Kyonggi Province, and Chorwon, Hwachon, Yanggu, Inje, and Kosong Counties in Kangwon Province. The total size of these areas is 7,368 square meters.

The government has formulated a provisional plan to repair and restore railways and road networks between the North and South to expand manpower and material exchanges through these areas. These railways include Kyonguison, Kyongwonson, and Kumgangsanson. The government has also considered laying new railways to transport cargo to Siberia.

Along with this project, the government has considered restoring the 11 roads between the North and South. These include the roads linking Mokpo, Seoul, and Sinuiju; Masan, Wonju, and Hyesan; Kwangju, Seoul, and Manpo; and Pusan, Kangrung, and Sonbong. A concerned government official stated: "The government will propose building such zones to promote North-South exchange and will propose restoring facilities linking the North and South when progress has been made in North-South exchanges, including the resumption of the North-South Joint Committee."

The official added: "During the North-South Joint Committee meeting, the government will propose developing an international tourist area between Mt. Kumgang and Mt. Sorak; jointly developing reservoirs between the North and South, including the Han River; jointly surveying resources deposited in the DMZ; selecting special areas for preservation; and jointly developing underground and sea resources deposited in both the North and South."

Kim Yong-sam Meets Secretary of Defense Perry

SK2110110694 Seoul YONHAP in English 1057 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—President Kim Yong-sam on Friday [21 October] afternoon met visiting U.S. Secretary of Defense William Perry and discussed matters related to the outcome of the U.S.-North Korea nuclear talks and Korea-U.S. security cooperation.

During the Chongwadae [presidential offices] meeting, Perry, who was here in the capacity of a special envoy of President Clinton, said that despite the Geneva agreement, the United States would carry out its security commitment to South Korea under all circumstances.

President Kim stressed that Seoul and Washington should closely cooperate so as to see to it that North Korea's nuclear transparency is obtained and North Korea will faithfully carry through what were agreed on in the Geneva talks.

Stressing the importance of allowing no distance between South Korea and the United States, the president said a solid Korea-U.S. cooperative system would constitute a significant message to North Korea.

Perry said his country won't rely merely on the "good intention" of North Korea for the implementation of the Geneva agreement.

"The agreement provides for devices to check their implementation at every stage," said Perry, adding that if they do not carry it out properly "we will resolutely punish them."

Saying that South Korea would know that it does not provide one- sided financial support to North Korea under the agreement, the U.S. defense chief said the agreement imposes upon North Korea more than what were assessed on them by the International Atomic Energy Agency (IAEA) and the Nuclear Nonproliferation Treaty (NPT).

With regard to the U.S. military presence in Korea, Perry said Washington has no plan whatsoever to reduce the U.S. Forces Korea since, he said, there still are enormous conventional arms and a huge number of troops in North Korea.

He said the Geneva agreement makes it impossible for North Korea to develop nuclear arms ever again because "North Korea is required to dismantle even their existing nuclear-related facilities."

"People called me a hardliner so far as the nuclear question was concerned because I was concerned about the issue and advocated harsh counter-steps more than anybody else in the U.S. Government, but I can say with confidence that the issue has been resolved most safely and satisfactorily," he said.

A Chongwadae official said that since Perry was here as Clinton's special envoy, his remarks could be taken as the American President's message.

Security, Geneva Accord Discussed

SK2110111494 Seoul KBS-1 Radio Network in Korean 1010 GMT 21 Oct 94

[FBIS Translated Text] U.S. Defense Secretary Perry, who arrived in the ROK at dawn today in the capacity of U.S. special envoy, held a press conference with domestic and foreign reporters this evening during which he pledged firm security between the ROK and the United States. The following report is by Yi Hyon-chu.

[Begin Yi recording] U.S. Defense Secretary Perry revealed that even though a basic agreement has been signed between the United States and North Korea, at present there is no intention of reducing U.S. forces stationed in the ROK.

U.S. Defense Secretary Perry, who is visiting the ROK in the capacity of U.S. envoy of President Clinton, held a news conference with domestic and foreign reports at the Seoul Press Center today. He said that as long as the threat exists from North Korea's conventional weapons, there are no plans to reduce the U.S. forces stationed in the ROK. He also emphasized that even though a basic agreement has been signed between the United States and North Korea, thorough preparations will be strengthened in case of an emergency.

He added it that the ROK and the United States discussed suspending this year's Team Spirit exercise. In addition, he revealed it is stipulated in the U.S.-North Korea basic agreement that if there is a request by the International Atomic Energy Agency [IAEA] for special [tukpyol] inspections of North Korea's nuclear weapons, it will be possible to conduct such inspections; North Korea is also obliged to fulfill the clause on the IAEA's safety measures that signifies it must not possess unreported plutonium. [end recording]

Defense Ministry: Officials Cancel 'Team Spirit'

SK2110024794 Seoul YONHAP in English 0241 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—"Team Spirit," the joint South Korean-U.S. military exercise staged annually, will not be held this year, the two nations decided Friday.

South Korean Defense Minister Yi Pyong-tae met with his U.S. counterpart William Perry and the two officials decided to suspend Team Spirit this year following the North Korean-U.S. agreement on restructuring Pyongyang's nuclear program.

Yi and Perry also decided that even after the nuclear accord between Pyongyang and Washington is concluded, the two countries will maintain a close joint defense system, ministry officials said.

Replacing of Team Spirit Denied

SK2110001694 Seoul THE KOREA HERALD in English 21 Oct 94 p 2

[FBIS Transcribed Text] The Ministry of Defense yesterday denied a news report that the government was considering replacing the Team Spirit joint military exercise with a smaller-size new military drill.

A ranking ministry official said that "so far nothing has been changed regarding the annual ROK-U.S. joint military exercise, as the security environment has not altered on the Korean Peninsula."

He also denied a YONHAP News Agency report that the government may not continue Team Spirit from next year.

"The decision whether or not to go ahead with Team Spirit '94, which was previously slated for November, will be made Friday, but the Armed Forces continue preparations" for the next joint drill, he said.

"The process is under way," he added.

U.S. Secretary of Defense William Perry, who flew into Seoul last night, is to meet Korean government leaders today for talks on North Korea's nuclear issues and other bilateral security issues.

* Young Overseas Koreans Meet in Tokyo, Osaka

942C0207A Seoul SISA JOURNAL in Korean
18 Aug 94 pp 52-55

[By reporter O Min-su]

[FBIS Translated Text] The 38th parallel, a symbol of the Cold War, does not exist in Korea alone. The borderline separating North from South in their motherland had an inexorably divisive effect on the overseas Korean communities, which proliferated worldwide during the period in which North and South stood on guard with guns trained on each other. For the overseas Koreans "the psychological 38th parallel" was clearly delineated in their minds. But this old Cold-War pattern is gradually fading out among the third and fourth generations of overseas Koreans.

The parents of Yu Hye-cha (28), a woman residing in Osaka, Japan, are both members of Chongnyon (the pro-Pyongyang General Association of Korean Residents in Japan). But she belongs to a new neutral youth organization called the "the Federation of Korean Youths in Japan," which is affiliated with neither Chongnyon nor Mindan (the pro-Seoul Federation of Korean Residents in Japan). Her parents and brothers are not happy about her association with this new youth group. Nevertheless they are not trying to pressure her to stay out of that group. "I don't quarrel with my family over the matter. By all indications, I just sense their opposition. For a third generation of Koreans in Japan like me, Mindan and Chongnyon do not mean much. I think they were important in my parents' days." At least, the third and fourth generations of Korean residents are not influenced by the political antagonism between North and South Korea.

Kim Chin-kyu, a student at the graduate school of Keio University, asked his parents, "Would you call a family meeting without the knowledge of the grandfather?" When the family met, the junior Kim talked his parents into agreeing that the whole family except the grandfather should bolt Chongnyon. They excluded the grandfather because it was apparent that he would never withdraw from Chongnyon nor acknowledge the desire of the rest of the family. The young Kim did not choose Mindan either as an alternative to Chongnyon. To him, a distinction between Mindan and Chongnyon is meaningless.

In this way, there is a move afoot among young Koreans in Japan belonging to the third and fourth generations to free themselves from Chongnyon's sphere of influence, whereas there is no distinct move against Mindan. They regard Mindan as a private organization of a minority under the aegis of the ROK Government, and their reasoning is, "To begin with, there is no such issue as whether or not to withdraw from Mindan because we have never worked for it."

As you see, the perception of the motherland is undergoing a rapid change among a second and succeeding generations of overseas Koreans. But the attitudes of ROK and North Korean Governments have not changed a bit.

Nowadays the main subject of discussion among young Koreans in Japan is the question of "naturalization." The basic tenet of the Japanese policy for Korean residents in Japan since the end of World War II was, "Assimilate them by force, if not, expel them." Under this policy, those who refused to be assimilated and yet tried not to be expelled had to suffer untold hardship in life. Not to mention the humiliation they had to put up with as human beings, they had to worry about their daily living because they could not find jobs in big firms or public organizations. That is why quite a few Korean residents in Japan early on got involved in dubious business, gambling, or organized crimes. But that was the story of the first or second generation of Koreans in Japan. It is a different story with the third and fourth generations, about 90 percent of whom have received a Japanese-style education and think in the same way as any Japanese. Any attempt to plant anticommunism or communism in them is futile. But the North and South Korean Governments have made the attempt until now.

The number of Korean residents in Japan began to decrease by 5,000 each year. Particularly in 1992, the decrement was more than 7,000. There were two major reasons. Some voluntarily gave up their ROK citizenship and obtained Japanese citizenship, while others married Japanese and became naturalized in due course. According to recent polls on the Korean community in Japan, 70 to 80 percent of Korean residents feel no qualms about marrying Japanese. Said Kim Kyong-tuk, the first Korean lawyer ever in Japan: "If the current trend continues, Korean residents in Japan would completely disappear in less than 100 years from now. One of the reasons is that the ROK Government has done nothing to help inculcate in them national pride as Korean descendants." According to an opinion poll, about 90 percent of Korean residents in Japan have Japanese names and behave like Japanese.

When asked, "Would you define the ROK Government policy for overseas Koreans in a word?" experts on overseas Korean affairs were unanimous in replying, "It is a policy of abandonment." This is to say that our government policy dictates in essence, "When you emigrated to a foreign country, you should have become its citizen." Of course, this is possible in Japan, where Japanese have the same complexion as Koreans. When naturalized, one can enjoy the legal status that was out of reach before. But the matter is not that simple. Naturalized Korean-Japanese are always pestered with the question of identity, "Who am I?"

The identity crisis is serious among Korean residents living in countries where people have different complexions from theirs. Yi Hye-cha (23, female), a Korean resident in Germany said: "Until I finished high school, I forgot that I was a Korean as I studied and played with my German friends. But when I entered a college, nonresident students from Korea used to say, "You are lucky to be able to speak German fluently." From then on I was agonized by the identity problem. German companies hire Korean graduates thinking that they would be proficient in Korean because they are of Korean ancestry. But Young Koreans working in German firms regret that they have not learned the Korean language and begin to blame their parents."

Recently, young overseas Koreans residing in various countries, who must have experienced an identity crisis, and leaders of Korean communities overseas gathered at a meeting. Kyongsillyon [the Citizens Federation for the Realization of Economic Justice] hosted "the World Korean Youth Conference" in Tokyo and Osaka from 2 through 9 August, attended by more than 200 overseas Koreans from all over the world, including the United States, China, Japan, the CIS, Germany, Canada, Brazil, and Sweden. The conference searched for the possibility of a Korean national commonwealth and discussed what they called the "nonexistent" policy of the ROK Government for overseas Korean residents. The statements made by young overseas Korean residents at the conference were mirror reflections of the history of the emigration of Koreans. In less than 100 years, 5 million Koreans have emigrated abroad.

Most of the Korean youths residing in Germany, born of Korean miners and nurses, are about 18 years old. This is the outcome of the fact that Korean miners and nurses, who came to Germany in the 1960's to earn foreign currency, hurriedly married during their contract term of one or two years so that they might settle down in Germany for good. All the participants from Switzerland were former adopted children, and most of the participants from Brazil were a second generation whose parents emigrated to Brazil in the early part of the 1970's and settled down there, peddling their wares, carrying them on their backs to earn a living. Those from the United States were the ones who have grown up in the forefront of the overseas Korean youth movement, witnessing the black riot in Los Angeles. The participants from the CIS belonged to a second and third generation whose ancestors were scattered in various republics by the former Soviet government's policy of forced immigration.

Many of the participants in the meeting are working as professionals, such as judges, lawyers, doctors, engineers, college professors, and teachers, in their respective adopted countries. They have established themselves and enjoy a decent living. But they have different ideas about their motherland. They may be divided into three groups: First group—those who want to melt into their adopted country even by going so far as to avoid any contact with other Korean residents; second group—those who show a double-edged attitude of trying to become part of the adopted society to the extent necessary, while sticking to the Korean customs, culture, and language; third group—those who want to mingle with none but Koreans while refusing to wedge themselves into their host country. Most overseas Koreans nevertheless wander between two different cultures and two different homelands. Said one Korean resident in New York: "When I missed my hometown while I was in Seoul, I used to look toward the north, but now I look toward Seoul as I live in New York."

Kyongsillyon seems to have seen the possibility of a civic movement of Koreans abroad falling into this dilemma. Said Yu Chae-hyon, director of the Institute for Economic Justice, which is affiliated with Kyongsillyon: "Depending on where they live, overseas Koreans have different concerns and different demands on their government. However, they have potential for playing a leading role in the economic development of Korea and in the process of national unification. This is the reason why Kyongsillyon is paying attention to the overseas Korean community in the face of the criticism that it is overextending itself. It is urgent for us now to foster a sense of oneness as Koreans." In the past everyone, not only our government, has been indifferent to bringing overseas compatriots together from the standpoint that they are our national assets.

Kyongsillyon is moving to organize overseas Korean in various countries or form their network. However, some take a negative view of such a plan. In fact, dishing out the membership cards of overseas chapters (which exist in name only) of the Consultative Council for Democratic and Peaceful Unification of Korea [Pyongtong] is about all that the ROK Government is doing to establish a channel of contact with overseas Korean communities. But this is a cause of trouble. It is a well-known fact that some leaders of overseas Korean communities are fighting for the few membership cards available, slandering one another. This is the case of the government's good intention becoming a seed of discord in overseas Korean communities. In view of this, some critics fear that one wrong step and Kyongsillyon's plan to organize overseas Koreans might become another seed of discord.

Kim Chung-sun (40), a Korean resident in California, maintains as follows: "In the past Koreans residing in the United States always looked to their home government for help, unable to strike their roots into American soil. No longer should we repeat this same attitude. The government should help the second and third generations organize themselves and build consensus among them." It is no exaggeration to say that this kind of reservation on the part of overseas Korean youths stems from the government's miserable policy for overseas Koreans. In order for the 5 million overseas Koreans to become a force that effectively backs up the Korean nation, similar to overseas Jews and Chinese, the government should revamp its policy for overseas Koreans wholesale, and private movements for their part should change their way of approaching overseas Korean communities.

It is most important for the government to change its perception in working out policy for overseas Koreans. Currently, the Consular & Overseas Residents Affairs Bureau, Ministry of Foreign Affairs, is in charge of policy matters concerning overseas Koreans. Foreign Ministry employees try harder to avoid placement in this bureau than any other bureau. They lament when they are assigned to this bureau saying, "This amounts to falling into a tong [village-level] office from the field of diplomacy." This being the prevailing atmosphere, they hardly pursue any active administrative goals. The administrative object of the government is not overseas Koreans as a whole, but temporary residents carrying Korean passports. Overseas residents affairs are handled separately by 12 different government agencies, such as the Ministry of Culture and Sports, the Ministry of Education, and the Ministry of Justice. As far as overseas Koreans are concerned, they have to deal with 12 different agencies, not "a single government," depending on the business.

This situation is behind the demand for establishing an independent office of overseas residents affairs. Externally, the administrative branch is the official entity of the government. Overseas residents themselves say unhesitatingly, "We are the ones abandoned by the ROK." As they claim, our government might have entirely "given up" the potential of our 5 million overseas compatriots that can be put to good use as national assets. In the 1991 U.S. Government budget, $3.1 billion was earmarked as aid to Israel. This amount accounts for 31 percent of the total U.S. foreign aid to 154 countries in the world. This mirrors the potential of the Jews who are active in key positions in the United States. This is a matter worth pondering over at this juncture.

Trade Deficit 'Expected' To Remain Until 1995

SK2110101994 Seoul YONHAP in English 0734 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—South Korea's foreign trade is expected to remain in the red until the end of the year.

The Trade, Industry and Energy Ministry on Friday [21 October] reported a trade deficit of 460 million dollars for September, with imports increasing 25.4 percent from a year earlier to 8.8 billion dollars and exports climbing 16.1 percent to 8.34 billion dollars in the month.

In the past, the country's foreign trade has either struck a balance or posted a surplus during the latter half of the year, but in 1994 imports have been growing faster than exports on the back of mounting demand for imported industrial materials and capital goods since July.

The aggregate trade deficit for the first nine months of the year amounted to 5.63 billion dollars, up 2.86 billion dollars over a year earlier. In this period, imports rose 17.6 percent to 73.03 billion dollars against a 13.6-percent export increase to 67.4 billion dollars.

Should this trend continue, the ministry estimates, the trade deficit would stand at 5.5 billion dollars at year-end, with imports amounting to 99 billion dollars against exports of 93.5 billion dollars.

The trade deficit with Japan, which came to 940 million dollars in September alone, will increase from 8.74 billion dollars at the end of September to 11.5 billion dollars at year's end.

Exports of heavy and chemical industry products to Japan jumped 24.7 percent in September, but those of light industry products fell 1.7 percent in the month.

While exports to developing countries in the month soared 30.6 percent, those to developed countries edged up only 4.3 percent.

Noteworthy is a 7.8-percent fall in exports to the European Union in the month. Exports to the United States rose only 4.8 percent.

September saw imports of capital goods and industrial materials jump 38.3 percent and 18 percent, respectively, but the growth pace of consumer goods imports slowed in the month.

Import licenses issued in the month surged 48.9 percent, indicating that imports will continue to expand in the two to three months to come.

* Midway Assessment of Kim Yong-sam's Economy

942C0210A Seoul CHUNGANG ILBO in Korean 25 Jul-5 Aug 94

[Article in five installments by five individual reporters: "A Midway Assessment: Where Is the 'New Economy' Going?"]

[25 Jul p 27]

"Deregulation: Fall in the Momentum Fuels Anxieties for Backfire"

—by Cho Yong-hyon and Son Pyong-su

[FBIS Translated Text]

How far has the new government's "New Economy" come after so much publicity? Have the deregulation and other key programs really made any tangible progress? Indeed, a few of them appeared quite successful for awhile before losing the momentum shortly, at times falling incoherent and even causing market disruptions. Here is a progress report on what the Kim Yong-sam government initially held out as its pet programs—deregulation, social overhead capital [SOC] expansion, and others. (Editor)

Divorced From Reality; Why?

On 20 July, the government announced the easing of 26 administrative regulations concerning construction and distribution businesses, including the licensing standards for landscaping business. Under the old regulations, the applicant for a license was required to have 198,000 square meters, approximately 60,000 pyong, of land for business use, and the announcement "eased" it to 100,000 square meters, approximately 30,300 pyong.

Business reacted sarcastically to the announcement. A Mr Cho, 42, who plans to open a landscaping firm, questioned "if you have land the size of 30,000 pyong, why should you bother to be in the landscaping business in the first place? How could they ever call it an easing of the regulation?" The regulation was designed to ensure that landscaping firms have their own land on which to grow flowers and trees for business purposes. But, in fact, it has served as a monstrous "access barrier." Even concerned officials of the Economic Planning Board [EPB] make a glum face at the "administration by regulation" that remains unchanged.

In a recent public event, basic research directors of the "H" and "D" business groups and another "D" Group happened to sit at the same table. Their conversations very naturally focused on the current topic, the government's deregulation policy.

"All I see is lip service noise," one said. "They make me burn with anger," said another, "but I wouldn't talk about it when I am sober. You don't know when the thunderbolt will strike." They complained that although the government says a great deal about easing regulations, it is in fact going nowhere.

Business circles' complaint about the deregulation policy is that the government is avoiding the essential points and wasting time with nonessentials.

The basic research director of a certain business group, which is one of the top five, angrily said: "Recently, a high government official told me that 'although we can deregulate everything, we cannot do so on things connected with policies.' Can you still believe that the government is serious with its deregulation policy?"

Deregulation was first proposed by political quarters to make businesses more competitive at world markets. In spite of what it promised, the government is extremely tardy with its implementation.

Industries are unanimous in saying that a genuine decontrol is a pie in the sky unless bureaucrats change their behavior. A person who, in the capacity of private citizen, had participated in deliberations of a Chongwadae committee on easing administrative regulations, had this to say about a case he personally experienced: "Of the three papers earlier required to be submitted for permits and licenses, the committee abolished two. Subsequently, however, I had to find out myself that this did not mean that officials in charge would process the applications only on the basis of the remaining one. In my case, under the pretext that they could not make a decision with that paper alone, they told me to submit three more papers." Meanwhile, an executive of a general trading firm complains that even if a legal measure is taken to lift a regulation, the related enforcement decree would not be amended in time accordingly, leaving the measure good for nothing.

The same executive also says: "By instinct, bureaucrats have a sense of crisis that losing their vested rights means a disaster for them. When political circles call for deregulation, they dodge the demand by highlighting potential side effects. Whenever this occurs, centralization of economic power and fair competition become issues."

At the same time, business circles are unhappy that while the government is on the one hand lifting regulations, it is creating new regulations on the other. A good example is its action to prevent shipbuilders from bringing into the country the starting money for ships. The Ministry of Finance [MOF] last year relaxed—as part of the measure to remove bottlenecks in foreign trade—the authorized receipt of the starting money for ships from 20% to 40% of the current ship price. However, when revising—and relaxing—the foreign currency control last month, the MOF made another change requiring shipbuilders to bring in their foreign currency receipt into the country on a gradual basis keeping pace with progress in the building of the ship. The reason it cited was that if a large amount of foreign currency comes into the country at one time, it affects domestic prices. As a result of this revision, the shipbuilding industry is under pressure for a 4% increase in the ship price, says a survey of the Shipbuilders Association. It is undeniably an example of new controls contradicting the stated goal of competitiveness. (Reporter Cho Yong-hyon)

What Has the Government Done?

About this time last year, then Deputy Prime Minister Yi Kyong-sik said that "a government is, by nature, a factory producing regulations." His point is that administrative controls telling people "Don't do this or Don't do that" never ceased under any government in history.

One of the first things the Kim Yong-sam government did was to declare that it will dismantle and reform the "factory." Deregulation was a key reform task of the "New Economy" put forth by the civilian government. The Administrative Reform Committee, created directly under the prime minister, took the lead, while the deputy prime minister for economic affairs personally led the Committee for the Easing of Economic Regulations. The MOF, the Ministry of Trade and Industry and other ministries also set up their committees one after another to work exclusively for the easing of regulations in their respective sectors. The government also enacted a special law to relax business controls. So far, the working-level committee made up by vice ministers of economic ministries has met 16 times and the minister-level committee four times, demonstrating efforts for decontrols.

Thus, the government poured out measures to ease regulations virtually every month. By the end of June, a total of 1,128 cases of deregulation had been announced, 916 of which were complete with revisions of the related laws. Separately, the government early this year picked 22 targets for priority improvements in various branches, including customs clearance and distribution, revising 168 related laws by 20 July. The Administrative Reform Committee has achieved deregulations in 1,684 cases, mainly in noneconomic sectors (including 785 cases already put into effect).

At the same time, the government is supervising the implementation of the measures already put into effect. The Board of Audit and Inspection has been monitoring progress in each sector and of each ministry and agency since the beginning of this year, while the Chongwadae office of economic secretaries also began its inspection of the economic branch. Meanwhile, the EPB, in charge of the economic branch, plans to conduct an on-site fact-finding inspection in September. Thus, the government at least has demonstrated its will to dismantle the regulation-producing "factory." But then how much progress actually has been made in the easing of regulations?

Earlier in April, Pak Chae-yun, senior presidential secretary for economic affairs, disclosing the result of a survey, said that of the deregulation measures adopted, only 62% had been implemented and more than 20% were yet to be carried out.

Kim Chong-sok, Hongik University professor, who participated in the survey, said that "from the standpoint of business circles, the measures implemented so far were mostly those with little 'nutritive value' for them." Those who think that barriers have been removed and competition spurred in the financial and major industrial sectors since the New Economy was announced are not many in number.

In short, there are no clearly stated rules or standards governing, for instance, domains of auto industries or plans for additional or new construction of steel plants; they are just left to the discretion of the government. And "exit" barriers are still there as seen in the case of Hanyang, an insolvent enterprise kept alive by massive doses of special favors injected by the government.

Moreover, in the name of price control, the government forced businesses to revert the already-liberalized industrial goods prices to where they had been. Reform of the price policy was a vital part of the deregulation policy, but control is being strengthened in the name of "administrative guidance."

In general, compared with last year when the medicine of the New Economy was still working, the government's will and action for deregulation have markedly weakened this year. Is the "factory" going back to where it was? (Reporter Son Pyong-su)

Suggested Prescriptions

Specialists and enterprises strongly expect the government to make sustained efforts for deregulations focused on quality rather than quantity. They say that authorities should work for the easing of regulations that practically contributes to business and consumer interests and stop acting as if they were doing some big favors for them.

To that end, it is a pressing task, they say, to create in Chongwadae a separate organization like "a planning team for the easing of regulations" similar to the SOC Investment Planning Team. With the participation of businessmen, scholars and other experts from the private sector, this team should draw a "master plan" on each subject matter, including the "sanctuary" of government control. It should also have functions and authority to supervise the implementation of plans by each ministry, they say.

While institutionalizing deregulations at the level of reform, it apparently is necessary to push simultaneously for smaller government, because, basically speaking, reducing the "table of organization" of the government is the surest way of deregulation.

"Therefore," Dr. Yi Sung-chol of the Korea Economic Research Institute emphasized, "in our concept of deregulation, we need to shift from the easing of 'administrative control' to that of 'government control.'" In his view, an easing of "administrative control" is apt to end in a mere simplification of administrative procedures; however, if the government should commit itself to the easing of "government control," fundamental deregulations, namely, deregulations as a matter of policy, can be pushed ahead on a sustainable basis. In fact, "administrative control" is a phrase used only in our country, whereas "government control" is the expression used in the United States and Japan.

Some people point out that organizations working for the easing of regulations should be unified and upgraded. The government created within the Ministry of Trade and Industry a deliberation committee on regulations governing business activities, in accordance with the special law for the easing of controls on business activities. It also has, in the Ministry of Government Administration, a committee working on petitions from citizens, in compliance with the basic laws concerning administrative regulations and civil petitions. But few businessmen believe that such divided, ministry-level committees can maintain sustained interests in deregulations. Rather, they worry that "the new government's deregulation policy may be terminated at the end of this year." (Reporter Cho Yong-hyon)

Chronicles of Events in the Deregulation Drive

3 March 1993:

President Kim Yong-sam orders ministries to ease regulations.

9 March 1993:

The vice minister-level working committee meets.

20 March 1993:

The minister-level committee meets, picks 670 targets.

11 May 1993:

The same committee's 2d meeting picks 87 additional targets.

23 July 1993:

The same committee's 3d meeting picks 209 more targets.

3 January 1994:

A Chongwadae decontrol inspection team begins work.

3 June 1994:

The minister-level committee's 4th meeting picks 45 priority targets.

20 July 1994:

The vice minister-level committee's 16th meeting discusses improvement tasks in the distribution and construction sectors.

[27 Jul p 27]

"Privatization: Shoved by Public Opinion, Policy 'Squeaks' From the Beginning—Business Circles Unhappy with the Government Showing No Firm Policy, Demand Special Legislation"

—by Sim Sang-pok and Chong Chae-ryong

[FBIS Translated Text]**Why Wavering?**

Privatization of public corporations is one of the major economic reforms being pushed by the Kim Yong-sam government, which seeks, as a policy goal, to increase productivity by eliminating the chronic inefficiency of government-owned businesses.

Selling Off 68 Companies by 1998

To that end, the government late last year decided to transfer 68 of the 133 public corporations to private management in 1994-98. The program, launched in March after initial preparations, has been tottering from the beginning, though. The reason: Although the policy was launched on clearly defined principles, it has been thrown deeper into disarray as time passed.

In its push for privatization, the government had set forth, roughly, two principles—open competitive bidding and transfer to a responsible owner. They were adopted after hearings in various sectors late last year as an alternative to minimize problems realistically.

In May, however, new criticism began raising its head as the competition intensified for the purchase of Korea Fertilizer. While unable yet to present a better alternative, critics insisted that the competitive bidding method should be reconsidered. They had, until recently, called for the removal of the evils of public corporations; the same people now began demanding a full review of the privatization program.

Two Principles Set Forth by the Government

Needless to say, the criticism was based on the sentiment of the general public apprehensive of big businesses amassing economic power. It is only a handful of *chaebol* [conglomerate] groups, they pointed out, that have the financial resources to buy those big corporations from the government.

Meanwhile, officials argued that they are in no position to create artificial standards and say some groups can take part in the program and others cannot. Under these circumstances, Chong Chae-sok, deputy prime minister and concurrently EPB minister, announced a supplementary measure on 5 July, the main point of it being that the government will restrict—through administrative guidance—the participation of the top 30 business groups in the bidding for the 10 corporations whose capital is less than 20 billion won.

Restricts Participation of the Top 30 Groups in the Bidding

If the government views concentration of economic power as so serious an issue, it should find a way to address it through the Fair Trade Act, which is to be revised in the near future. The fact that it still talks about "administrative guidance" is nothing but self-acknowledgement of the "lack of principle."

There was a similar development over the controversial government plan to introduce "exclusive banking business groups." Deputy Prime Minister Chong, in his 10 June press briefing, emphatically stated that "in the privatization of The Citizens National Bank late this year, we plan to transfer it to an enterprise engaged exclusively in financial services by restricting the participation of *chaebol* industries in the bidding."

It is planned, he added, that the same method will be used in the privatization of Industrial Bank of Korea and Korea Housing Bank scheduled for 1996-97.

However, the deputy prime minister had to withdraw what he said that day after the MOF took issue with it. All this makes people wonder if the government really has a right sense of direction pursuing such an important policy as the privatization of public corporations. (Reporter Sim Sang-pok)

Business Circles' Reactions

"It is incomprehensible what the government is after."

This sums up business reactions to the 6 July announcement of a supplementary measure.

The main point of the measure is that the top 30 big businesses will not be allowed to participate in the privatization of the choice corporations—the size of which is not too large—lest it should contribute to the concentration of economic power on *chaebol* groups. The measure also makes it clear that the government will grant the purchasing enterprises absolutely no exceptions as to the credit controls and the restrictions on the total amount of investment currently in effect. This is interpreted by businesses as showing the government's will to hold on to the privatization-through-competition principle and yet prevent the feared concentration of economic power.

Need for the Government's Firm Will

Chon Tae-chu, managing director of the Federation of Korean Industries [FKI], said: "To improve the lagging competitiveness of public corporations in preparation for liberalization and industrialization, they have to be transferred to private management of businesses that have managerial and financial resources. This process is called privatization" "In fact, it is only the big businesses that have such resources. Nevertheless, the government is trying to bind the big businesses hand and foot. What in the world is it trying to achieve that way?" he asked.

Current controversies and confusion over the privatization program are attributed, first of all, to the absence of a firm vision on the part of the government as the driving force.

Critics say that the government is unable to lead the public opinion as it lacks an established vision of where it wants to take the nation's economic framework in the long run, and of what method it should use to accomplish the task. Many of them are of the opinion that in order to reduce the confusion, the government should enact a special law and push for the privatization unswervingly and with consistency.

First of all, they say, in the case of national strategic industries, competitiveness should be the top-priority goal in privatization. Among the such corporations are Korea Telecommunications Co., Pohang Iron & Steel Co., Korea Heavy Industries & Construction Co., Korea Gas Corporation, and banks. At the same time, they add, authorities should consider spurring competition by removing the existing protectionist barriers and controls that have kept those firms in a state of virtual monopoly and oligopoly.

On the other hand, in the cases of railways, utilities and subways, the goal should be improved services. Government-owned businesses in these sectors, when transferred to private management, should be divided so as to prevent a decline in service caused by monopoly, they say.

Transfer to Management Without Responsible Owner Not Allowed

With regard to the issue of concentration of economic power, which is the focus of controversy now, the prevailing view among business circles is that it should be resolved separately through such means as the control of monopoly and oligopoly, government inspection to ensure fair trade, and the separation of ownership and management. They explain that as long as the purpose of the privatization of public corporations is to enhance their business efficiency, it is not in the interest of the national economy for the government to allow—in its eagerness to prevent concentration of economic power—their transfer to private management having no responsible owners.

These reactions of business circles reflect their position that as long as the government clings to the existing regulatory measures, the privatization program practically fell through.

By what standards does the government exclude the top 30 big businesses from the "choice corporations" privatization? And of the small businesses, in the meantime, who are eligible and who are not? The program is full of questions. (Reporter Chong Chae-ryong)

What Is the Solution?

Song Tae-hui, researcher of the Korea Development Institute (KDI), said that if the ultimate goal of the privatization is to increase competitiveness of businesses currently owned by the government, "the government should spur competition through their "transfer to private management under responsible owners." Some people insist that stocks should widely be distributed so that the privatization can benefit as many people as possible; in that case, however, the original goal of increasing business efficiency is lost, he noted. As an example, Dr Song cited the case of privatization of city banks in the early 1980's.

He also emphasized that any requests for preferential favors should absolutely be rejected in the process of finding owners. For instance, when taking over, the new owner might request a favorable, exclusive contract with the government on deliveries of products; such requests are incompatible with the basic goal of competitiveness and therefore should be rejected, he said.

Experts note that the government should be extremely cautious about narrowing the qualified buyers. Even big businesses should not be excluded from the bidding as long as they seek no preferential favors and guarantee postprivatization competitiveness. If necessary, the government should consider opening the door to foreign businesses, too, he said.

The privatization program should, first of all, be aimed at improving competitiveness; therefore, the method of privatization should differ by the type of corporation, according to another widespread view.

Meanwhile, with regard to corporations that cannot be transferred to private management in a short period of time for various reasons, it is most important for the government to appoint management staff free of political interests. If management should be left to the nonprofessional or unqualified, it creates dysfunctions that eat up competitiveness. In the retiring of managers, it should be done on the same principle, efficiency; if they should be retired for other reasons, improvement in management of public corporations will be a long way off, experts say. Ku Sok-mo, deputy director of the Korea Economic Research Institute, said: "As a result of the listing of corporations to be privatized left to individual ministries, such giants as the Korean Electric Power Corporation, Pohang Iron & Steel Co. and Korea Telecommunications Co.—which all should be transferred with priority—were left out of the list." "The program should be administered by a powerful central organization, and in order to prevent possible disputes over preferential favors in the process of transfer, the government should split corporations before selling them in order to lead them into competition." (Reporter Sim Sang-pok)

[29 Jul p 27]

"Expansion of SOC: Investment, Revenue-Expenditure Prospects Not Clear, Business Circles Uneasy"

—by Sim Sang-pok and Yu Kyu-ha

[FBIS Translated Text]

What Has the Government Done?

The New Economy program, launched in form last year, began taking some concrete shape with the adoption of an SOC expansion plan. It became clear that the result of the just-concluded Uruguay Round would reorganize the world economy; the air was filled with a sense of crisis that our economy and businesses, like others, would lose their protection and be left out of the world markets unless they develop their competitive strength. How to expand the nation's low SOC investment that had been hindering growth became a matter of concern again.

Economy, Businesses No longer Protected

Plans were weighed on making roads and expanding harbor and airport facilities and necessary laws enacted. Indeed, plans were grandiose but the implementation was extremely tardy. And a new SOC expansion plan through the year 2020 was unveiled on 2 July, a year and a half after the inauguration of the new government.

This plan calls for the nation's trunk road capacity to be quadrupled to reach the advanced nations' levels, for airports for light planes to be built in major tourist spots and traffic hubs in preparation for a 21st-century private plane age, and for sharp increases in investment in the information and telecommunication sectors including optical communications.

In producing the magnificent blueprint, however, th government was mum on how much the projects woul cost or how it would finance them.

Officials Unsure of Prospects

SOC is of course the government's responsibility. Th required funds will have to be raised through ta increases, the issuance of national or public bonds, or th acquisition of foreign capital.

But the government has made no decision about it. Eve in the past, it knew that SOC expansion is an essentia requirement for the nation's economic growth, yet failed to make the necessary investments because of th money problem. It was for solving this problem that has enacted a law to induce private investments.

How far can the policy goal of encouraging privat investments be pushed? EPB officials say that they fin it "difficult to make a prediction at this point in time. Why do they, the officials who wrote the private SO investment law, appear so uncertain of the prospects The answer: The SOC private investment issue also ha run into the concentration-of-economic-power problem

In other words, when private businesses build freeway they will also build rest stations, department store distribution facilities and other profitable auxiliary faci ities in areas adjacent to the freeways for the purpose recovering their investments. Also, if they come to hav the right to decide the tolls, the big businesses will gro even bigger. These are the concerns surrounding th issue.

Thus, the passage of the legislation, originally expecte to come at the February extraordinary session of th National Assembly, was delayed five months because the prevailing negative sentiment that it could only serv to further enrich big businesses. The opposition had tha sentiment, while the ruling party was not willing to tak a positive stance either.

After all, the counterpart-fund clause in the original bil proposed by the government as one of the incentives draw in private enterprises, was cut approximately 20 in the course of National Assembly deliberations, t EPB's dissatisfaction. (Reporter Sim Sang-pok)

Why the Delay in Drawing Private Investment?

Because of problems at the overcrowded Kimpo Airpor the Hanjin Group is particularly interested in a ne Yongchongdo airport plan. It had filed papers showin its intent about a connecting bridge and other facilitie before the National Assembly passed the private investment law. However, Yi Chan-ho, deputy director fo funding affairs of the SOC team of this company remains just as impatient as he was before the passage the law. It is because, although the measure stipulate that commercial loans will be granted, he is not sure ho much they will turn out to be or whether they will b actually issued as anticipated.

Continued Delay of Foreign Loan Introduction Guideline

The Hanjin official says that "the measure contains no specifics, merely stating that issues relating to the introduction of commercial loans shall be left to the dictates of the Foreign Investment Law. Since the MOF has made no particular moves in this respect either, it is simply impossible to make any detailed plans on funding."

In the tax and investment limit issues, too, businesses are plagued by similar problems. Although the measure shows the basic principle of broadening the role of the business world, it remains unknown where the line is to be drawn. And there is no one kind enough to offer explanations. Virtually all enterprises worthy of the name have their task force teams to prepare for participation in the SOC program, but they are left unable to make any specific plans, say knowledgeable sources. At a time when the government has not even shown the basic directions of the program, there are no assurances that their calculations made so far in their investment and revenue-expenditure plans will not be found all wrong. Moreover, they are left unable to show their long-term vision on the super projects.

Long-Term Investment Burdensome to Medium Enterprises

On 24 July, the Ministry of National Construction disclosed plans to induce business circles to form consortiums of big and medium enterprises and to apply only a report-to-the-government system to tolls imposed on freeways built with private investments. The disclosure again left the business world skeptical of its intent.

The plans reflected concerns about the controversial concentration-of-economic-power issue and potential special favor disputes. In fact, the plan for consortiums of big and medium enterprises had been proposed by the big-business side a little earlier but the medium-business side was wary of the plan because it meant long-term investments which are a burden for medium-size enterprises.

Kim Chong-song, director of the research department of the Korean Federation of Small Businesses, said that "although many enterprises wish to take part in the proposed consortiums, they have financial problems. Therefore, freeway and other Class-One projects that require long-term investments are beyond their reach."

The same applies to the toll issue, too. Originally, it was considered impossible to recover investments in the basic facilities, classified as Class-One Facilities in the Private Investment Law, including highways, railways, ports, and harbors; thus came the safety device of "auxiliary facilities" to cover that point. Therefore, critics say, the government attempt to ensure profitability through the toll assessment is in itself nonsensical.

Also pointed out as a problem is the fact that the types of auxiliary facilities were reduced to nine in the course of deliberations in the National Assembly, and that even with those types approved, the eminent domain was denied. Of the auxiliary projects, businesses are most interested in housing construction and residential land formation projects which are profitable. But in the absence of the eminent domain, critics say, land prices are bound to soar, making it difficult for investors to expect profits and discouraging participation of medium-size enterprises in major SOC projects. (Reporter Yu Kyu-ha)

What Are the Alternatives?

Need for Bold Decontrol To Spur Participation

SOC-related officials of big businesses insist that most urgent is for the government to internally straighten out its perception.

The government is after "two hares." Because of the nature of the SOC program, it needs on the one hand the capital and technology of big businesses while on the other it has to avert potential controversies over concentration of economic power and special favors.

Drawing a clear dividing line between "appropriate profit" and "special favor" is difficult. In addition, they point out that the practice of drawing the line by relying on public opinion should cease.

This means that a solution has to be found in broadening the participation of business but reducing the concentration of ownership on the owner at the same time. But the government has failed to properly consider this point, they complain.

Chegal Pong-mo, deputy director of the Hanjin Group, says: "If an enterprise should approach an SOC project with a vague plan to make profits through auxiliary businesses, it could be engulfed in a special-favor dispute, suffering tremendous losses. Therefore, the government should have the same level of expertise as the private sector has to determine clear-cut guidelines. Or else, it should leave feasibility studies to outside services."

Also, with regard to commercial loans and tax breaks, of which the Private Investment Law show only the principles, interested sources note that specifics should be spelled out in subordinate or related laws to enable enterprises to work out their investment plans.

At the same time, in reference to the nine types of auxiliary projects listed in the Private Investment Law, the Korea Chamber of Commerce and Industry [KCCI] proposed that the list be expanded to include land reclamations and developments of integrated complexes, and that enterprises be allowed to collect user fees on parts of facilities that have been completed. Despite the stated principles of encouraging private investments, various regulatory measures are still left in place, leaving ministries and agencies entangled in complicated red tape over license and permit business. The KCCI move shows that unless these problems are resolved, the currently mounting business interests in the participation in SOC projects is bound to fade. (Reporter Yu Kyu-ha)

Chronicles of Events Leading Up to Soc Private Investment Legislation:

August 1990:
Debate begins in the government on need for legislation.

April 1993:
EPB begins basic work for legislation.

August 1993:
Ministries concerned form working-level teams.

September 1993 - January 1994:
"Private Investment Law" tentative plan prepared through consultations of ministries concerned and hearings of KDI, KCCI and others.

15 January 1994:
EPB announces its Public Investment Law plan. Says that while basic facilities such as highways, railways, ports, and harbors will be placed under state ownership, private enterprises will be allowed to use them free of charge till their investments are recovered; that they will also be granted the eminent domain to ensure smooth progress in construction, and if necessary, to use state and public land free of charge. Also it says that to induce private investments nationwide, enterprises will be authorized to run cargo terminals and other auxiliary businesses, including wholesale and retail activities.

14 February 1994:
The Cabinet approves the bill.

16 February 1994:
The government presents the bill to the National Assembly extraordinary session. But the National Assembly defers passage on grounds that it can lead to preferential favors for big businesses.

27 April 1994:
President Kim, presiding over a New Economy meeting at the Kwachon government building, refers to the pressing need for the legislation and urges the political parties to act on the bill promptly.

9 May 1994:
The National Assembly Economic-Science Committee subcommittee examining the bill holds public hearings; works for an agreement to reduce benefits for participating enterprises.

13 June 1994:
The subcommittee concludes its four rounds of examination on the bill; decides to confine exemptions from the Fair Trade Act provisions limiting investments to basic facilities, and to exclude auxiliary facilities from the application of the eminent domain.

24 June 1994:
The Economic-Science Committee approves the bill.

14 July 1994:
The National Assembly plenary session passes the bill.

[2 August p 27]

"Industrial Policy"

—by Yang Chae-chan and Cho Yong-hyon

[FBIS Translated Text]

What Has the Government Done?

"Competitiveness of a nation is represented by the competitive strength of its enterprises. We should never try to fetter enterprises. The government should show the same respect to businesses fighting the global economic war as we do to our parents. We need a whole new switch in our concept of domestic industrial policy for increasing competitiveness. Protectionism is a narcotic."

Only Rhetoric Flourishing

The above is a remark by Pak Un-so, vice minister of the Ministry of Trade, Industry and Energy [MTIE], at a policy forum of economic ministries on 4 July at the Kwachon integrated government building. It was widely reported as a comment suggesting the future course of the nation's industrial policy.

The ultimate goal of the government's industrial policy is to increase the competitiveness of our industries, especially as we live in a time when the trends of liberalization and internationalization are accelerating, and when the nation is in need of policies to prepare for the start of the World Trade Organization (WTO) and for Korea's membership in the Organization for Economic Cooperation and Development (OECD).

But the fact is that no one is very sure about how and on what principle the New Economy's industrial policy is being propelled. The reason: It is not being propelled with consistency within a "big framework."

The New Economy plan is full of vague abstracts stressing the need for self-regulation and creativity for enterprises and how the government will spur competition. But critics say it is difficult to predict from the plan how policies specifically will be formulated and implemented.

Following its inauguration last year, the Kim Yong-sam government's industrial policy initially leaned toward curbing centralization of economic power on *chaebol* groups through bolstered fair trade systems. This was withheld, however, and a prolonged recession was cited as the reason. Today, as the economy is picking up, measures favoring big businesses are again under discussion, including the proposed easing of restrictions on the total amount of investment for enterprises whose ownerships are well divided.

In the absence of a broad framework governing industrial policy, the issue of entry of big businesses into specified industries is apt to be decided by political development or public sentiment.

Failure To Live Up to the Spirit of Industrial Specialization

In the case of mobile communication business, which was a source of controversy in the past, the government, in a strange twist of development, entrusted the FKI with the selection of qualified managers. The indication was that it will not be involved in things that would give it a headache.

What about the new Industrial Specialization System introduced last year to prevent industrial duplications and develop competitiveness? Under the system, the government required each enterprise to select two or three categories of business, regardless of the scale or capability of the enterprise, bringing on a "downward equalization." Of 76 leading enterprises, 21 or 27.6% were led to choose nonmanufacturing categories. Thus, the government failed to live up to the spirit of the system. (Reporter Yang Chae-chan)

Position of Business Circles

In the view of the business world, the New Economy industrial policy is made up by an organizational policy and a restructuring policy. The organizational policy, dealing with big businesses, focuses on easing the concentration of economic power on them, while the restructuring policy is aimed at upgrading industries to increase competitiveness.

Government Accused of "Creating New Controls"

Business circles apparently are not satisfied with either of them.

Instruments of the organizational policy include the Fair Trade Act provision restricting the total amount of investment, the credit control, and the principal-industry measure. Insisting that there can be no improvement in their competitiveness at the world markets so long as these things are retained, business circles have been asking the new government to abolish them for the sake of deregulation, but to no avail. Rather, the controls have been intensified on grounds that they are what the government calls "regulations tied to policy." This led to criticism in the business world that the government, while ostensibly easing controls, is actually creating new controls.

The basic research director of a certain business group said: "Recently, the government has reportedly almost finalized plans to restrict the total amount of investment. The action effectively blocks the bids of industries to take part in new projects, making their restructuring effort itself difficult. It endangers their survival in the 21st century, running counter to the industrial restructuring policy."

Businesses are most unhappy with the fact that the government is using such standards as "top 30" or "top 10" big businesses in the decisionmaking process.

Even among the so-called top 30 groups, the combined sale of the lower 10 groups are hardly comparable with that of a single higher-ranking group. Nevertheless, they are bunched together in the same category. This constitutes a control obstructing growth, they complain.

With regard to the restructuring policy, business circles assert that there has been no change in government control. There are no legal provisions controlling entry of business into the specified business. But, as the examples of Samsung's auto industry plan and Hyundai's steel industry plan show, the government intends to use "policy" to block their moves to branch out. "The problem with the government policy is that measures for competitiveness in the world markets and those for fair competition on domestic fronts and for the separation of ownership and management are all mixed up in it," said Chon Tae-chu, FKI managing director. (Reporter Cho Yong-hyon)

What Are the Alternatives?

Economic experts are unanimous in saying that there should be a review of the government's industrial policy functions.

They insist that the time has come for the government to change the direction of its industrial support policy in consistency with the trends of liberalization and internationalization, that it should do away with the practice of trying to lead industries by curbing duplicate investments and overinvestments or preventing them from branching out into new fields, and that it should show a vision and pursue policy with consistency within a broad framework.

Cho man-sun, staff researcher of the Korea Economic Research Institute, says "the government still sticks to the practice of designating industries eligible for subsidies or permits to branch out into specified business categories, often giving rise to disputes over special favors." "It should stop all that and just show its long-term industrial vision," he noted.

Yu Sung-min, KDI staff researcher, says "as seen in the industrial specialization system, there is a misunderstanding that concentrated capital and large-size capital are a way to foster competitiveness." "Advances of the electric, electronic, auto, machine, steel, and shipbuilding industries—our lifeline industries for the 21st century—should not be restricted under the pretext of duplicate investment or overinvestment. The voluntary restructuring effort of businesses should not be hindered by the government's access control," he notes.

Yi Kyong-tae, senior researcher of the Korea Institute for Economics and Technology (KIET), said that "the industrial policy from now on should proceed toward deregulation to spur competition. But in this process, the measures concerning big businesses, such as those dealing with their amassing economic power and branching out into nonspecialty fields, have proved to be a stumbling block."

"Symptomatic treatment applied depending on cases, like that in the case of entry into specified industries, can hardly solve problems. The government should first establish comprehensive medium- and long-term policies addressing the fair trade, tax, and financial issues," he emphasizes.

However, Han Tok-su, MTIE planning and management director, points out that "the basic line of the New Economy industrial policy is promoting self-regulation. For desirable changes in the distribution of resources between industries and in the levels of economic activity of individual industries, limited and temporary government interventions are necessary."

But Kim U-il, director of the Daewoo Group basic research division, says "there is no sufficient logical basis to the way the government restricts the total amount of investment for big businesses." "To increase competitiveness in this global age," he adds, "the Fair Trade Act providing for the limits of guarantee of obligation and restrictions on the total amount of investment—which constrain business activity, namely, competition between businesses—should be abolished and replaced with legislation to spur competition." (Cho Yong-hyon)

[5 Aug p 27]

"Financial Reform"

—by Son Pyong-su and Yi Chae-hun

[FBIS Translated Text]

What Has the Government Done?

Financial reform was one of the New Economy tasks the government tackled most ambitiously. The financial industry and market, commonly known as "bureaucrat-controlled finance," had been criticized as lagging far behind physical markets which were growing rapidly amid fierce foreign competition. With the full-scale opening of the nation's financial market planned for 1997, the new government had a sense of crisis that survival of the banking institutions in the country would be in jeopardy unless something was done with their current structure and competitiveness.

New Economy leaders including Hong Chae-hyong, minister of finance, and Pak Chae-yun, senior presidential secretary for economic affairs, were aware of the problem more than anybody else. Drawing on their experiences as a scholar specializing in banking and a bank president respectively, Pak and Hong pressed ahead with financial reform more vigorously than any predecessors did.

Targets they selected were ambitious and worthy of the name of reform. The list began with a ban on use of aliases and false names in financial transactions as pledged by President Kim Yong-sam a year earlier as "reform of all reforms." It also included an end to interventions in personnel affairs involving bank presidents, and self-regulation of interest-rate liberalization and other business by banks. They also put forth decontrol or readjustment plans for business domains to spur competition and development, and worked out a detailed liberalization timetable on foreign exchange and capital transactions. The basic direction of reform was to develop the financial industry's competitiveness through deregulation and internationalization.

Another point they emphasized was the government's will to carry out the reforms. In April last year, Minister Hong stressed that "one by one we will fulfill the financial reform tasks which until today were only objects of lip service." Early this year, especially, he moved up the foreign exchange and capital transaction liberalization schedules—drawn last year under a plan to abolish the Foreign Exchange Control Law—by one and two years respectively in preparation for Korea's admission to the OECD scheduled for 1996.

MOF statistics indicate that of the 172 reform tasks in the financial sector, 77 tasks or 44.8% had been accomplished as of the end of July, with 44 tasks or 25.6% still in progress. Overall, financial reforms progressed more than 50% in a year and a half. MOF's self-appraisal based on these numbers is that reforms are going very rapidly, showing signs of "overspeed" in certain areas.

Poor Adaptability of First-Line Agencies

However, financial experts and workers are not so optimistic in their appraisals. In the case of the ban on use of aliases and false names in financial transactions, the main feature of the reform program, it was overly focused on "enforcement" and, as a result, fell "short" in substance and intensity, according to Pak Yong-chol, director of the Financial Research Institute, and Yi Pil-sang, Korea University professor. Meanwhile, the promised deregulations to spur competition also fell short of expectations for a combination of reasons, including the passive approach to the interest-rate liberalization, the continuing window guidance over assets management, and the inadequate adaptability of institutions to the rapidly expanding decontrol measures, which left them to solve problems only by resorting to a wait-and-see attitude or collusive consultation (as in determining various fees and interest rates), says Yi Han-ku, director of the Daewoo Economic Research Institute.

Above all, with regard to problems linked to the "rice bowl" of financial institutions—such as finding responsible owners for banks involved in the privatization program (through the creation of a system of groups or individuals specializing in banking business), readjustment of business domains, and development and specialization of large-size banks—critics say that the government approach has been only perfunctory and it remains unable to paint an attractive picture of the future of our financial industry. (Reporter Son Pyong-su)

Why the Delay in Reform?

Since the beginning of August, banks have been "hard hit" by the moves of the MOF and Bank of Korea to tighten the money market. As a result, every bank is in a desperate search for call funds regardless of the interest rates in order to secure its payment reserve. Thus, the short-term interest rates are soaring daily. Charging that banks managed surplus funds irresponsibly in the first half of the year by lending out as household loans or investing in securities, monetary authorities openly threaten to "give a lesson" to them.

Banks Lost Amid Reforms, Adding to Confusion

Banks which thus came under fire, however, have a great deal to say. In the first place, they point out, deregulation of fund operation was a major target of the financial reform. Also, at a time when big businesses are issuing additional shares or bonds instead of borrowing money from banks, "what does the government expect us to do?" they protest.

Current controversies like this vividly show where the financial reform stands now.

Bank officials respond: "The numerous reform measures being poured out by the government keep us almost breathless to catch up. Apparently there were some successes; at times, however, we wonder about the direction of the reform being pushed by the government or how we should keep pace with it."

Banks, by nature conservative and accustomed—even passive—to interventions from outside, are in a state of disorientation in the face of the "self-regulation and liberalization" which the government imposed on them without showing a specific "vision." To make it worse, while telling them to go by self-regulation on the one hand, it will on the other revive the "window guidance" whenever it sees the need, adding to confusion.

Decontrol of Bank Personnel Management Popular

Along with the ban on use of aliases and false names in financial translations, the new government has put in effect a series of deregulation measures, including the interest-rate liberalization and free-hand in personnel management. These measures were basically favorably viewed by many. This means that if personnel management, price, and assets management should be viewed as the three axes of the financial deregulation, the government made a good start in two of them.

But it still clings to the practice of relaxing control on the one hand and tightening it on the other. Bank officials in charge of funds are unanimous in saying that "monetary authorities, while saying they will use the method of indirect currency control through the bidding for the bonds issued on condition of repurchase, would issue the 'interest-rate guidelines' to effectively control the bidding. Also, they would frequently call us in to make a demand on this and on that. All in all, nothing has changed."

Institutions Not Polled for a United View

In respect to the issue of ownership structure of financial institutions which came to a dubious conclusion recently, the only thing it produced is a vague consensus that "the government should find responsible owners for financial institutions [involved in the privatization program]"; over the question of how to do it, however, the issue remains in an unresolved, so-many-men-so-many-minds state. Bank officials are also unhappy with the way the government is pushing reforms in a one-way traffic without soliciting their views. (Reporter Yi Chae-hun)

What Are the Alternatives?

Success of the financial reform is not the desire of the government alone. It is the unanimous desire of financial institutions, businesses, and households as well.

In respect to the approach to it, however, there are differences depending on where they stand. An internal report of "S" Bank refers to the three-stage interest-rate liberalization program to be completed by 1995, asserting that it should be completed within this year if possible at all to expand the scope of liberalization for the rates on deposits. The point is that since it has become tough to make both ends meet by deposits and loans alone, there should be an easing of restrictions on the roll-over of financial assets.

The report says that as the self-regulation thus expands, the government should step up its supervision over bank management, holding banks accountable for the consequences.

Experts show greater interests in the restructuring of the financial industry. The reason: In order to increase competitiveness, it is an inevitable requirement to reorganize the competition system dealing with business domains and commodities, says Yi Han-ku, director of the Daewoo Economic Research Institute.

While financial institutions should be guaranteed self-regulation to maximum degrees, faltering ones should be left to "go bankrupt" so as to lead institutions to opt for merger or specialization spontaneously, Yi Pil-sang, Korea University professor, points out.

There is one thing to be kept in mind with reforms such as deregulation and foreign-exchange and capital-transaction liberalization. If the government should focus only on generalities and neglect specifics of weight and speed, it could cause further confusion and side effects. The government therefore should see to it that reforms fit the capacity of the domestic institutions and markets, says Pak Yong-chol, director of the Financial Research Institute.

In the same context, reforms of human resources should be pushed simultaneously, including the training and reorientation of professional workers. Only by doing so can the genuine development of the nation's financial industry be guaranteed, says Chang Man-hwa, executive director of Bank of Seoul. (Son Pyong-su)

Chronicles of Events in Financial Reform

16 March 1993:
MOF announces the basic plan to ease financial administrative regulations.

6 April 1993:
The Office of Bank Supervision and Examination announces its detailed implementation plan on the easing of financial regulations.

21 May 1993:
The same office announces an antifinancial irregularity measure.

28 May 1993:
MOF drafts the financial reform program of the New Economy five-year plan.

12 August 1993:
Decree is issued banning use of aliases and false names in financial transactions.

25 August 1993:
MOF announces the financial transaction vitalization plan including downward readjustment of the CD issue minimum amount.

1 November 1993:
The second-phase liberalization of interest rates put into effect.

5 February 1994:
Banks are told to expand self-auditing and make public lists of personnel management-related trustees.

14 February 1994:
MOF works out reform plans concerning bank supervision and auditing business.

17 March 1994:
MOF announces plan to apply management appraisal system to short-term investment finance companies and merchant banks, too, effective April.

20 April 1994:
Minister of Finance Hong Chae-hyong says he plans to move up financial and tax reform schedules by 1-2 years.

30 April 1994:
MOF announces the third-phase plan on the easing of financial administrative regulations.

1 May 1994:
MOF announces plan to improve selective lending system including adjustment of proportions of loans to medium-small businesses and manufacturing industries.

23 May 1994:
The Democratic Liberal Party comes up with its draft plans for financial system and industry reorganization and for financial decontrols and liberalization.

15 July 1994:
MOF announces plans to introduce system making it obligatory for banks to make public their state of management and bad debts, effective September.

18 July:
MOF puts into effect ahead of schedule part of the third-phase interest rate liberalization plan, including authorization to banks to draw consolidated bills.

Songsu Bridge Collapse Creates Political Shock

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[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—The Songsu bridge crumpled and plunged into the Han River during rush hour Friday [21 October] morning, sending shock waves through the country's political circles.

The ruling and opposition parties hurriedly called meetings to deal with the accident, postponing National Assembly interpellation of the government scheduled for that morning.

Dumbfounded by the horrific mishap, the ruling Democratic Liberal Party (DLP) began to discuss ways of handling the fallout from the accident, which claimed the lives of scores of people as a 50-meter section of the bridge connecting southern and northern Seoul collapsed into the river.

The ruling party is deeply anxious over the tragedy as it came right after a series of violent crimes including the "chijon" gang kidnap-murders.

Labeling the accident a "man-made" disaster, the opposition Democratic Party (DP) called for a wholesale resignation of the cabinet, demanding that it assume responsibility for a tragedy resulting from irregularities and disorder in politics.

Upon learning of the calamity while watching television at his home, ruling party Chairman Kim Chong-pil called an emergency party meeting through DLP Spokesman Pak Pom-chin while instructing the National

Assembly Construction Committee Chairman, Rep. Yi Song-ho, to rush to the scene immediately.

Immediately after the party meeting, the spokesman suggested a prescription—a thorough probe into the cause of the accident and stern reproof for those involved.

"It's so shocking and no one at the meeting dared to speak out at the beginning," he said, expressing grief for the victims of the mishap.

DLP General Secretary Mun Chong-su described the tragedy as an international shame and pointed the finger at shabby and dishonest construction.

The main opposition DP also called a hurried Supreme Council meeting at the National Assembly chaired by Chairman Yi Ki-taek.

During the meeting, the party decided to propose the formation of a special parliamentary team tasked with examining the accident.

Taken aback at the great loss of life, party lawmakers cited the incumbent government's negligence in safety management as a key cause.

Party floor leader Sin Ki-ha insisted that the mishap was the result of the past military governments' bravado and bluster while accusing government officials of an irresponsible and easy-going attitude in performing their duties.

The party also dispatched Assembly Construction Committee members to the scene for further examination.

Committee member Choe Chae-sung blasted Seoul City Mayor Yi Won- chong's "false testimony" before parliament, where he reportedly said all of the bridges over the Han River had been pronounced normal after safety checks.

Rep. Che Chong-ku called for an immediate parliamentary inspection while requesting that Tong-a Group Chairman Choe Won-sok appear as a witness. The Songsu Bridge was constructed by a group subsidiary, Tong-a Construction Industrial Co., in 1979 under the Pak Chong-hui government.

Prime Minister Tenders Resignation

SK2110094194 Seoul YONHAP in English 0935 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—President Kim Yong-sam on Friday [21 October] afternoon accepted resignation tendered by Seoul Mayor Yi Won-chong in connection with the collapse of the Songsu Bridge over the Han River earlier in the day.

The president named U Myong-kyu, governor of North Kyongsang Province, to succeed Yi as Seoul mayor. Sim U-yong, vice government administration minister, was appointed as North Kyongsang governor in place of U, Chongwadae [presidential offices] Spokesman Chu Ton-sik said.

The spokesman also said that Prime Minister Yi Yong-tok called on President Kim at Chongwadae and tendered his resignation over the bridge incident, but the president did not say immediately whether he was accepting or turning down the resignation.

Yi Schedules Ministers Meeting

SK2110020394 Seoul YONHAP in English 0158 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—Prime Minister Yi Yong-tok has scheduled an inter-ministerial meeting for Friday evening, where he is expected to demand a reprimand for those responsible for the collapse of a bridge connecting southern and northern Seoul.

The meeting follows a staff meeting at the prime minister's office which placed top priority on saving lives and salvaging the debris. Yi ordered all available administrative manpower and equipment mobilized for the rescue operation.

Yi instructed that safety inspections be carried out on all facilities throughout the country, noting that Friday's accident follows another calamity last May in which the telephone network was devastated by a fire that crippled the capital.

A 50-meter section of the Songsu Bridge collapsed into the Han River during the Friday morning rush hour. Tens of people are feared dead with the rescue mission hampered by a rain-swollen river.

The inter-ministerial meeting, slated to convene from 8 p.m., will emphasize the seriousness of the accident since the bridge is less than 20 years old and seek a reprimand for those involved in its construction and maintenance.

President Kim Yong-sam has ordered a thorough probe into the cause of the accident and demanded heavy punishment for those responsible.

President's Speech Warns Against Violating Law

SK2110104794 Seoul YONHAP in English 0648 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—President Kim Yong-sam warned Friday [21 October] against violations of law and order, saying the police are a symbol of law enforcement and the law is a stern order by the people.

In a speech read by Prime Minister Yi Yong-tok at a ceremony commemorating the 49th anniversary of Police Day, Kim stressed that the police's just and fair performance of their duties should be guaranteed while violence and interference in police activities by collective force cannot be permitted.

During a ceremony held at the Sejong Cultural Center in downtown Seoul, the president also asserted the police should deal sternly with any unlawfulness and violence with pride and a sense of mission as protectors of the constitution.

Pointing out that government authority cannot be established without discipline in officialdom, Kim emphasized the government will prepare all institutional means to prevent irregularities and corruption among public servants.

He also called for a renovation of police organization and management, saying that police capabilities must be reinforced to combat crime and establish law and order.

"The government will make its best efforts to improve the treatment of policemen and modernize police equipment so that they can devote themselves to their given duties with pride and mission," he declared.

Kim maintained that all corruption and misdeeds can disappear when all Koreans stand vigilant against them.

He said the government will supplement legal and institutional devices to thoroughly protect citizens who report and testify against criminal acts.

* DLP Braces for Political 'Storm,' Elections

942C0213C SISA JOURNAL in Korean 1 Sep 94 pp 22-23

[By reporter Kim Chae-il]

[FBIS Translated Excerpt] Kang Sam-chae, the Democratic Liberal Party's [DLP] office of planning and coordination director, is considered to be a hidden power within the ruling DLP, with sound judgment, analytical capabilities, and drive. He is a key figure, participating in everything in the party related to policy and strategy. The role of the planning and coordination director, who assists the secretary general, is important. However, the relative importance and image of the office he now occupies is incomparably greater than before. In addition to the fact that he took this office for the first time as a third-term lawmaker with a local constituency, he has taken charge of many central tasks since his appointment as planning and coordination director, such as absorbing and running the Social Development Research Center and, at the same time, preparing for the various elections to be held beginning next year. Along with party reform before the elections, he is developing election strategy suitable for the new political environment and working to find promising political hopefuls. Through him we will take a look at the selection of party executives and municipal and provincial branch managers, President Kim's plan for the management of state affairs, election strategy, the situation inside the DLP, and the direction of reform. We borrow his perspective in our analysis and outlook on the political situation because he is a core, working-level official—considered to be endowed with sharp and objective analytical abilities—of the Democratic-Party [DP] faction that presently leads in affairs of state. Unlike most other figures of the DP faction, he possesses a flexibility and reasonableness that have overcome the inertia of the more common combativeness.

"Defeat in Local-Autonomy Elections Will Play Havoc With the General and Presidential Elections"

Director Kang views the renovation of the DLP image, party reorganization, local-autonomy elections, general election, and reinvention of government all within a large, single framework. He places particular importance on the local-autonomy elections to be held next year. If the DLP is defeated here, he believes, it will be impossible to design plans for the general election to be held next year. In his facial expressions it is already possible to read a sense of crisis that assumes the worst-case scenario: a ruling party minority in the National Assembly. Thus, it is possible to view the recent sweeping placement of influential figures at the head of municipal and provincial branch offices and in the party executive committee as one part of the DLP's all-out effort to prepare for the local-autonomy elections. Hence, although the nomination of parliamentary candidates will be made by the central party, it appears that municipal and provincial branch managers will be given considerable authority, such as the right to recommend candidates for nomination and the right to refuse [candidates nominated by the central party]. He confessed the difficulties of regional-election-related human resource development. The success of political reform depends on finding new people "who are suited to the spirit of the times." However, there are many cases in which he is turned down by the very people the party wants to see advance. This is because there is still a year and ten months left until the elections and most dislike the idea of managing a local party chapter for an extended period. While doing this work, he sensed that the field of politics too is now being professionalized. Yet another dilemma is that the selection of persons with progressive tendencies can, as in the case of Chairman Kim Mun-su (local chapter at Sosa, Puchon, Kyonggi Province), lead to unexpected talk about "Red tendencies," becoming a source of strife within the party. Around the end of the year, he will dispatch central-party personnel, "quietly, so as not to cause rumors," to each city and province and have them prepare for the local elections. He predicts that actual party nominations will take place around March or April next year. Director Kang is taking particular pains to develop strategy in keeping with the revolutionary change of the political environment, in which elections will be held under the new Integrated Election Law. After the Kyongju special elections, he became painfully aware of the fact that the ruling party's "traditional" vested interests and election strategy would no longer be effective. Although the

Integrated Election Law was made to produce an election revolution, there had been no change in the actual consciousness of politicians. He got so worked up because of his feelings of guilt that he was unable to sleep for several days. Recovering his composure, he came to believe that there was no alternative to developing an efficient organization that would make use of volunteers.

Will the DLP Change Even Its Name?"

I bear the greatest responsibility for loosing the election. No matter what the form, I must bear responsibility for the results," he said. Overloaded since the birth of the new administration, he has not had a chance to rest at all, and so really desires to rest a little now. However, it seems that various conditions and circumstances surrounding Kang will not permit this. He has the firm trust of President Kim. In addition, he has a well-organized way of thinking, management ability, a drive that has to see a job through to the end, and the ability to take control of a situation, all qualities rarely seen among DLP figures. Another aspect of this is that it speaks of the limited usefulness of DP-faction manpower. After the special elections, Kang created a stir with his statement on a possible reorganization of the party. It soon became known within the party that the "senior party official" quoted by the press was Director Kang. That is because reorganization is a sensitive issue about which some in the party always have their nerves on edge. Party President Kim Chong-pil reacted quite angrily concerning this. Regardless of the DLP's defeat in the special elections, if the ratification of the Uruguay Round is dealt with as scheduled in August, the public will be very alarmed, according to Kang. A reorganization of the party will inevitably follow in order to get this under control. At the time, Kang says, this was, given the scheduled order, an extremely natural and principled thing to say. Why, he asks, was the reaction so overly sensitive? Why was this linked to the question of reorganizing the party leadership? Kang's diagnosis: "There are groups within the party disposed to plots and machinations, trapped by their sense of victimization." Factional strife is the predestined chronic illness of the DLP, which was born in a three-party merger. Also, the DLP is considered to be the most antireformist group. Since the birth of the new administration, the Blue House has led and still leads in everything. Elections, however, must be handled by the party. Responsible even for remaking the present image of the DLP for the various upcoming elections, Kang's burden is great. He believes that party reform is related to the elimination of factionalism. He believes it is not important to ask what faction a person belonged to in the past. Rather, the time has come to reestablish an organization based on whether a person can be classified as part of the "New DP Faction." There are still those who are not necessarily what they appear to be on the outside, who, therefore, cannot wholeheartedly join the ranks of the reform. This makes the work of picking out people unavoidable. The nuance of this is clear: the DP faction will continue to lead in the management of state affairs and other factions will inevitably become auxiliary support forces. In it we can read a fragment of the sentiment of DP faction. Director Kang has a strong sense of pride in the morality of the DP faction. It will continue to shake off the practices of successive generations of ruling parties and create a new order, he affirmed. It appears domestic politics will roll along very rapidly in the future. The political timetable does not leave much room to spare. A broad reorganization of the DLP is expected late this year or early next year if the Uruguay Round goes over to the regular session of the National Assembly and is ratified. This will lead into the election campaign season. It appears that from that time on, President Kim will maximize the effect of this party reorganization and will lead the party through the elections like a driving storm. Renewing the party's image through the recruitment of personnel and the reorganization of the party is another election strategy. There is the possibility that even the name of the party will be changed to accomplish this. Riding on the "New Party Wind," at the age of 32, Director Kang was elected to the 12th National Assembly as its youngest member. Famous at first as the "[Hyundai] Pony-driving lawmaker," he continued to be put in charge of party offices after being elected. After his first election, he was deputy spokesman and deputy floor leader. After his reelection he was spokesman for the Unification Democratic Party [Tongil Minjudang]. Following the three-party merger he was chairman of the political analysis committee. After the birth of the new administration he was director of the office for policy coordination. Thanks to this he became very well read in the basics and at the same time gained a firm understanding of political mechanisms. However, there seem to be many times when he feels saddened and grieved about his not being treated as a third-term lawmaker should, because of the "wall of age." Having entered the group of those firmly trusted by then Unification Democratic Party President Kim Yong-sam while he was that party's spokesperson, Kang experienced enormous conflict during the three-party merger. He experienced the humiliation of having his local party chapter attacked some three times. Its office fixtures and furniture were burned and it was smeared with human feces. While he was going through all this, he even entertained the thought of giving up politics. However, he says that he regained his political convictions, thinking, "What would the party president [Kim Yong-sam] think of me?" An executive secretary of the "Chudaewi" [an organization dedicated to making Kim Yong-sam the DLP presidential candidate] Organization III during the competition for the presidential nomination of the DLP, he played a part in making Kim Yong-sam's candidacy, doing a thorough analysis of the inclinations of the 7,000 delegates. During the presidential election, he oversaw a vocational organization and led a youth organization called the "Love-of-Country Headquarters [Nara Sarang Ponbu]." In this he greatly contributed to making Kim Yong-sam president. He stresses that the reform will continue during President Kim's term in office. There is value in the existence of a civilian government only when the spirit of reform remains alive, he states bluntly. He also emphasized that the strong point of a civilian government is that it can launch a frontal attack for what is right and what should be done. He says that he must conduct himself "as though he did not exist, even while existing." He would accept a high evaluation of Secretary General Mun Chong-su as an evaluation of himself, he says.

Lawmakers Evaluate DLP Chairman Yi's Speech

SK2110004894 Seoul THE KOREA HERALD in English 21 Oct 94 p 2

[FBIS Transcribed Text] The ruling Democratic Liberal Party (DLP) yesterday reacted unfavorably to the contents of the speech by opposition Democratic Party (DP) leader Yi Ki-taek before the National Assembly.

DLP spokesman Pak Pom-chin said the DP chairman concentrated on criticizing the government without offering constructive alternative measures.

"Chairman Yi voiced criticism after criticism without showing a look of agony on how to make the reform drive a success," said Park in a statement.

In particular, the DLP spokesman found fault with Yi's opposition to the National Assembly's plan to ratify the establishment of the World Trade Organization (WTO).

"It will be hard for the people to understand Yi's opposition to the WTO bill for no good reason," said the official.

But he welcomed Yi's proposal for a nationwide campaign to restore moral consciousness.

DLP Secretary-General Mun Chong-su commented that Yi's call for an en masse resignation of cabinet ministers will not draw a favorable response from the public.

He also expressed displeasure with Yi's speech, saying that he failed to show any will and intention to cooperate with the government's determination to carry out the so-called second reform campaign.

DLP lawmaker Kim Yong-kwang said Yi's suggestion for an early opening of liaison offices in Seoul and Pyongyang to revitalize the inter-Korean economic cooperation is worthy of acceptance.

Former Posco Executive Queried on Bribery Case

SK2110032694 Seoul YONHAP in English 0243 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—The prosecution on Friday summoned Pak Tae-chun, the former chairman of Pohang Iron and Steel Co. [Posco], for questioning on his alleged receipt of bribes totaling 3.9 billion won (4.8 million U.S. dollars) while in office.

Pak arrived at the Supreme Public Prosecutor's Office in an ambulance around 10:00 AM from Seoul National University Hospital, accompanied by two doctors.

The prosecution will decide on the degree of legal action to take against him on the basis of the questioning.

In view of Pak's condition, the prosecution will not question him overnight, instead allowing him to return to the hospital in the afternoon. Questioning will resume Saturday morning.

Admits To Receiving Bribes

SK2110112894 Seoul YONHAP in English 1028 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—Park Tae-joon, former chairman of the Pohang Iron and Steel Co.(POSCO), was questioned by prosecutors on Friday [21 October] and admitted to receiving billions of won in bribes from business firms during his days as POSCO chairman.

The Prosecutor General's Office, however, let him go back to a Seoul hospital after the probe because "his health conditions were worse than believed."

Yi Won-song, director of Central Investigation Department of the office, said, "The time of second-round probe of him would be determined depending on his health conditions."

A prosecution source said Park confessed during Friday's questioning that he received bribes in cash totaling 3,912 million won from about 20 firms that did business with POSCO.

Park's physician said there is a large water wen [as received] at the lower part of his left lung, which he said needs immediate surgical operation. "But, he is so weak we cannot remove it now," the doctor said.

Booklet on Kim Ku Assassination Released

SK2110101394 Seoul YONHAP in English 0836 GMT 21 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 21 (YONHAP)—A newly uncovered, top-secret police document from 1955 in which the Seoul Metropolitan Police falsely accused Kim Ku, the prominent independence movement leader, of being communist is arousing suspicion that the Liberal Party regime at that time was involved in Kim's assassination, a ruling Democratic Liberal Party lawmaker claimed Friday [21 October].

Kim Ku, an independence fighter against Japanese colonial rule, was slain on June 29, 1949, at his Kyonggyojang residence by An Tu- hui, an artillery officer.

Rep. Kang Sin-ok, who chairs the National Assembly Kim Ku Assassination Probe Subcommittee, made the claim.

In parliamentary questioning of the administration Friday, Kang disclosed that an "investigation handbook," published by the Investigation Department of the Seoul Metropolitan Police Bureau in 1955, describes "Kim's plot to assassinate Syngman Rhee by the hands of An Tu-hui who, out of patriotism, shot Kim to death instead."

The booklet also falsely alleges that "Kim Ku, a terrorist resorting to any means available, assassinated his opponents Song Chin-u, Yo Un-hyong and Chang Tok-su, and attempted to conclude a military alliance with Communist China against the United States."

With regard to right- and left-wing negotiations with the North's Kim Il-song, the booklet features this description: "At the four Kims' meeting with Kim Il-song, Kim Tu-pong and Kim Kyu-sik at Kim Tu-pong's house in Pyongyang, Kim Ku, completely forsaking his line of independence, surrendered himself to the Communists and pledged to act as their right-hand man."

Rep. Kang disclosed that the "Investigation Handbook" was recently uncovered in the form of a manuscript kept at the Yenjing Institute, Harvard University, in the United States. Noting that the document is classified as "top secret," Kang speculated that the booklet was meant to be read by detectives of the Investigation Department.

"That the booklet, based on unverified facts, accused Kim Ku of being a Communist indicates the perspective of the then-Liberal Party regime toward the Kim Ku assassination," Kang maintained.

He called on the Home Ministry, police and the Agency for National Security Planning to "make public relevant documents immediately."

Burma

Foreign Minister Returns from UN Meeting

BK2010160694 Rangoon Radio Myanmar in Burmese 1330 GMT 20 Oct 94

[FBIS Translated Text] A Myanmar [Burmese] delegation led by U Ohn Gyaw, minister of foreign affairs, arrived at Yangon [Rangoon] International Airport by a Myanmar [Burma] Airways International flight this afternoon after attending the ongoing 49th United Nations General Assembly in New York.

The delegation was welcomed by Lieutenant General Tin U, secretary-2 of the State Law and Order Restoration Council; Lt. Gen. Chit Swe, minister of forestry affairs; U Than Shwe, minister of industry-2; U Nyunt Swe, deputy minister of foreign affairs; (Yobotashi Ogato), charge d'affaires of the Japanese Embassy; Klaus Wagner, representative of UN organizations; and responsible personnel from the Ministry of Foreign Affairs.

Foreign Affairs Minister U Ohn Gyaw on his return trip touched in at Japan and met with Foreign Minister Yohei Kono and held cordial and friendly talks on international affairs, developments in Myanmar, and international relations.

Rebels Pose Threat To Gas Pipeline Construction

BK2110093294 Bangkok BANGKOK POST in English 21 Oct 94 p 8

[FBIS Transcribed Text] Armed rebels operating around Ye and Tavoy regions in southern Burma sought payments from companies, which are to build gas pipelines from the coast to Thailand, in return for not being harassed, according to a rebel source.

The groups are not only Karen and Mon but also remnants of the now-defunct Burmese Communist Party under the new name of the Democratic Patriots Army.

Several hundred of them were still armed and posing a threat to the pipeline construction, the source said yesterday.

Another group of armed rebels who would also jeopardise the pipeline construction was the Arakanese, who had moved from northwest Burma near Bangladesh, to the coastal area of Tavoy and Mergui.

They made their income by collecting fees from foreign fishing boats, mainly from Thailand, operating in Burmese territorial waters, the source said. Hundreds of armed Arakanese were still active in southern Burma, the source said.

In addition, former Burmese students now in the jungle were also endangering pipeline construction unless they were offered satisfactory payment, the source claimed.

Thai intelligence officers from many units, especially the National Security Council, failed to persuade the Burmese rebel groups to hold peace talks with the ruling junta in Rangoon.

Rebel patrolmen who travelled to Yadana natural gas field in the Gulf of Martaban reported that Burmese soldiers had stepped up security in the area. At least three Chinese-made patrol boats, with machine guns, patrolled regularly.

Earlier, some armed rebel groups threatened to sabotage the gas field unless they were paid by the company drilling for gas in the gulf.

The source said representatives of companies contracted to build the pipelines had approached some rebel groups with an offer, but did not give details.

In a related development, nearly 50 Mon ethnic villagers from eight families who fled from Ye township, where a railway is being built, told Mon rebels near the Thai border that Burmese soldiers had begun to recruit villagers to build the railroad.

Rail construction had been halted for several months during the rainy season but is expected to resume soon.

The 50 Mons, who now stay at the Mon refugee camp in Halockhani which accommodates 6,000 refugees, said there were afraid of being recruited as unpaid labourers.

Cambodia

* Official, Source Discuss Police Integration

Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 1-2 Aug 94 p 5

[FBIS Translated Text] Mr. Em Soman, secretary of the Ministry of the Interior, told REAKSMEI KAMPUCHEA he would be prepared for the integration of the police during the month of August; it cannot be neglected any longer. He said this seemingly wanting to make it clear that the implementation of the integration of the police forces into a single force will lead to many complications in both administration and in the fulfillment of their primary duty. Mr. Em Soman is the official who was appointed to the position in the Ministry of the Interior by the Royal Government of Cambodia and was only recently officially confirmed by the National Assembly in his position as secretary of the Ministry of the Interior.

According to one source, in this position, he has begun working very carefully to take control of the police force, but his first priority will be to prepare to integrate the police forces of the various parties which won the elections.

It should be remembered that as of the present time the Royal Government has only been in existence for a little more than a year. In just this time, speaking about the integration of the royal civilian and military infrastructure, the officials in the parties that won that election seem as if they want to finish everything completely and not admit any problems at all. But, on the contrary, for the police there seem to be many complications which have now come up outside of the Ministry of the Interior. According to the police commissioners of the provinces, the police have not yet been integrated even though the police who have been sent to those provinces have been ready.

The tardiness in integration may result from a number of incidents which are currently under investigation making some police feel unsettled because they do not have any position or duty. Some police have been assigned to training or to units by higher authorities but some still do not know their exact unit. They only know that it has a name. There are still many other problems involving even the local police who have some worries, fearing that they will not be able to fulfill their duty to serve the people in their own localities which was their desire when they volunteered to join the police.

But, in spite of this, there is hope that this August the police will be ready as an integrated unit and a real force of the Royal Government to maintain the security and social fabric of the people.

Indonesia

Alatas on Election to Security Council Seat

BK2110142094 Jakarta ANTARA in Indonesian 0955 GMT 21 Oct 94

[FBIS Translated Excerpt] Foreign Minister Ali Alatas said Indonesia is committed to contribute constructively and concretely to the UN Security Council agenda now that it had been elected to a non-permanent seat on the Council.

"Indonesia is determined to contribute constructive and concrete ideas to the UN Security Council agenda in an effort to create a more just and peaceful world, now that the international situation is still full of problems and marked by fast and fundamental change," Alatas told newsmen at his office in Jakarta today.

He said that being a non-permanent member, Indonesia is not able to propose a separate agenda because the UN Security Council already has a global agenda.

"The UN Security Council already has many other pending agenda items, such as Bosnia, Somalia, the Middle East conflict and Afghanistan. We can only convey our ideas on efforts to revitalize and strengthen the council in the era of the new world order, " he said.

Alatas expressed his happiness that Indonesia had been elected to this position and his appreciation to UN member countries, especially those from Asia, that had supported Indonesia's bid for the seat. Indonesia was formally elected to the seat on 20 October to replace Pakistan, whose term will expire at the end of this year. [passage omitted]

Alatas Comments on South China Sea Symposium

BK2110155994 Jakarta ANTARA in Indonesian 1438 GMT 21 Oct 94

[FBIS Translated Excerpt] Jakarta, 21 October (ANTARA)—The fifth symposium titled "Efforts to Overcome Potential Conflict in the South China Sea," which Indonesia will organize in Bukit Tinggi, West Sumatera from 26 to 28 October, will remain informal.

"As long as countries directly involved in the overlapping claims to the Spratlys are unwilling to settle the conflict, Indonesia will of course be unable to accord formal status to the symposium," Foreign Minister Ali Alatas told reporters in Jakarta on Friday.

The fifth symposium, he said, will be a continuation of the efforts to prevent armed conflict arising from the overlapping claims to the Spratlys in the South China Sea. The islands are claimed partly or entirely by Brunei Darussalam, China, Taiwan, Vietnam, Malaysia, and the Philippines.

The symposium will be attended by experts from countries around the South China Sea—Brunei Darussalam, China, Cambodia, Laos, Thailand, Vietnam, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Vietnam, and Indonesia as the host. All participants will be present in unofficial capacities.

"Although Indonesia has no claims to islands or territorial waters in the South China Sea, it has interests in the security and stability of Southeast Asia. We do not want armed conflict which may disrupt sustainable national development," said Alatas.

He said he hopes that the symposium will create mutual trust and ease mutual distrust. [passage omitted]

* Talks Held on Obstacles to East ASEAN Growth

94SE0249A Jakarta SUARA PEMBARUAN in Indonesian 1 Sep 94 p 8

[FBIS Translated Text] Balikpapan—There are very many issues that must be resolved by the four countries—Brunei Darussalam, Indonesia, Malaysia, and the Philippines—that belong to the East ASEAN Growth Area. There are at least three key issues: economics, investments, and trade; human and natural resources; and laws and regulations.

Investment and trade systems, patterns, and mechanisms differ greatly among the four countries. For example, imports of some commodities are free of duty in one country, while another country imposes high import duties, as businessmen in Malaysia and Brunei complain.

Many private interests in those two countries are interested in investing capital in Indonesia, but the bureaucracy in Indonesia is very strict, and the various kinds of taxes, including a value-added tax of up to 10 percent for equipment brought into Indonesia, are a very heavy burden. The result is that many investors in Malaysia and Brunei are reluctant to deal with their southern neighbor.

Such things must slowly be adapted to existing conditions. Resolution is slow, but it involves Indonesia's own interests. The "Working Group on Sea Linkages, Transportation, and Shipping Services," held on 18 and 19 August in Balikpapan, made several recommendations on the adjustment and harmonizing of regulations among the four neighbor countries belonging to the ASEAN region and that make up the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA).

People from Malaysia, Brunei, and the Philippines say that shipping and maritime services in Indonesia are too complicated. The quality of Indonesian shipyards is good enough; but ship engines have to be imported, and imports of engines are hampered by taxes and fees. There is a high value-added tax of almost 10 percent, whereas it is only 2 percent in Malaysia and about 3 percent in the Philippines.

In the context of Indonesian fees, taxes, and tolls, businessmen belonging to the East Kalimantan KADIN [Chamber of Commerce and Industry] say that tugboat operators in Samarinda and Balikpapan fly Singapore flags on their vessels to avoid taxes and fees. When looked at closely, it turns out that Singapore-flag tugboats operating in East Kalimantan are owned by East Kalimantan residents. The leasing of flag services of another country is felt to be a lighter burden than the applicable taxes and fees, especially considering the red tape of the bureaucracy.

In Indonesia, there are enough groups that guarantee the upgrading of shipping and maritime personnel, but the Philippines are more prepared with personnel for the fishing sector. Therefore, the four member states of the BIMP-AEGA feel that human resources in the fishing sector should be upgraded by studying the Philippine system.

From the meeting, all parties greatly desire results toward harmonizing the differing laws and regulations of Brunei, Indonesia, Malaysia, and the Philippines. These hopes come not only from the three other countries, but local businessmen and KADIN members also hope for harmonization of laws and regulations.

As pointed out by Agus Virgoandie, deputy chairman of the East Kalimantan KADIN, harmonization of regulations involves all the countries. He cited the case of rattan that leaves Indonesia illegally through smuggling channels, which when it enters Malaysia is treated as a border trade import. According to a North Sulawesi KADIN source, the possible reason for such smuggling is the high export tax, which causes businessmen to see more profit in choosing a way that is contrary to regulations.

"The two countries should interpret such cases in the same way," Agus said. Similarly, cigarettes that leave Indonesia are considered legal if they meet conditions on payment of taxes, as evidenced by receipt of tax stamps, but they are considered illegal when they enter Malaysian ports or territory.

The meeting in Balikpapan at least brought together the aspirations and hopes for regulations on the part of private business circles as the informal group and government representatives as the formal group. Such hopes relate not only to the maritime, shipping, and fishing sectors, but the Balikpapan meeting also led the way in bringing together all the differences in regulations among the countries in all the sectors that support growth of BIMP-AEGA. "As a result, the differences can be resolved," said Harbiansyah, chairman of the East Kalimantan KADIN.

He said that speakers in the Balikpapan meeting hoped that working group recommendations will be considered in the meeting of ministers and senior officials in Manado. The results of the Balikpapan meeting should at least be a "software product," especially as related to maritime, fishing, and shipping issues, for use in preparing for the meeting of ministers and senior officials of the four countries, which is to be held in Manado in November.

All delegates present at Balikpapan viewed the "software" produced by the meeting to be very important, so that when it is entered into the operational practice desired of BIMP-AEGA, in anticipation of the ASEAN economic growth sought from the ASEAN Free Trade Area (AFTA) agreement, BIMP-AEGA will be able to provide everything required by AFTA. When the "software" is ready, the "hardware" will follow. If issues involving laws are not resolved, the BIMP-AEGA being readied in the eastern part of ASEAN will have no significance for the Asia Pacific era in the 21st century.

Because issues discussed in the first meeting were limited to the maritime, fishing, and shipping sectors, however, recommendations from the Balikpapan meeting relate only to very sectoral matters. Nevertheless, almost all the delegates from the other countries feel that the issues that will emerge in the 15 sectors are certain to be the same.

The leader of the Brunei Darussalam delegation, Awang Haji Ibrahim bin Haji Ali, told PEMBARUAN that issues involving regulations and laws are certain to be the basic problem, because the four countries have different regulations. Awang Haji Ibrahim said that he was confident, however, that the spirit of ASEAN will close this "software" gap.

There are 15 sectors that make up the issues that must be penetrated by business and government before entering an era of agreement on creating new growth in Eastern ASEAN. These consist of sectoral issues involving population mobility, environmental protection and management, energy, construction and related raw materials, telecommunications, human resources, agroindustry, capital and finance, forestry, air communications, sea communications, maritime issues, shipping services, and tourism.

Of the 15 working group topics divided among the four countries before being discussed finally at the minister and senior official level in Manado, the subjects taken up at the Balikpapan meeting on 18 and 19 August were maritime, ship industry and shipping, and fishing issues. The Balikpapan meeting was the first of working groups on the topics being readied for facing global markets or, at least, AFTA.

Indonesia was given not only the meeting on "sea linkages, transportation, and shipping services," but also the people mobility issue, for which the workshop is scheduled for Manado, and the forestry issue, scheduled for Pontianak.

Brunei Darussalam was given the issues of telecommunications and environmental protection and management. Malaysia was given the subjects of energy, human resources development, capital formation and financial services, and tourism. The Philippines were given construction and construction materials, agroindustry, and air transportation. All the working groups will complete their discussions before the meeting of ministers and senior officials of the four countries in Manado in November.

It is clear that each country has advantages based on levels of progress it has attained. Tourism, for example, is to be discussed in a meeting in Malaysia, because Malaysia is known as a BIMP-AEGA member with good tourism management, large market potential, and varied natural resources as tourism objects developed in a modern way.

At least, there are similarities in natural resources in the tourism market, such as culture, nature, and other special features. There are similarities in Dayak culture in Sabah, Sarawak, East Kalimantan, and West Kalimantan. There are similarities in maritime tourism in Malaysia, East Kalimantan, North Sulawesi, and the Philippines. "Therefore, it is hoped that marketing methods will be uniform, so that the packages being sold can be combined in a single special package," said the chief of the East Kalimantan Tourism Agency. According to Minister of Communications Dr. Haryanto Dhanutirto, the question—with hope for the outcome—is how to eliminate the existing obstacles and combine common desires so that all the interests of ASEAN nations will be ready in anticipation of Asia Pacific development.

Suharto Addresses 30th Golkar Anniversary

BK2110134694 Jakarta ANTARA in Indonesian 1606 GMT 20 Oct 94

[FBIS Translated Excerpt] President Suharto has reminded the people that there is no need for another political party or a new functional group because the current political order has proved its usefulness.

"We do not wish to set up any new political parties or functional groups," said Suharto in his capacity as chairman of Golkar's [Functional Group] Board of Patrons at the ceremony in the Convention Center in Jakarta tonight commemorating the group's 30th anniversary

Suharto said: "What we have to do is to encourage all political parties and Golkar to consolidate with each other so that they can cater to the interests and aspirations of party members and the rest of the people."

Present at the ceremony were Mrs. Tien Suharto, Vice President and Mrs. Try Sutrisno and Harmoko, chairman of Golkar's Central Executive Board. Suharto also said that all socio-political organizations should be supported so that they are responsive toward new challenges and able to act as constructive forces in national, state, and social life.

Explaining his view that there is no need for a new political party, Suharto said experience had shown that it was difficult for many parties to reach a firm political consensus.

"Therefore, since 1970 we have had a consensus to have only two political parties and one Golkar in Indonesia," the chairman of the Board of Patrons said. [passage omitted]

"The main role of the socio-political organization in the era of national development was to guide the people to take advantage of the opportunities available and the facilities provided by the state so that they can improve their standards of living, both physically and emotionally," he added.

He said that: "We need a socio-political organization high in quality and quantity".

Suharto also called on all Golkar cadres to be prepared to face the various new challenges around the world. [passage omitted]

Concerning the general election, Suharto said: "We were very glad that Golkar has been the people's choice in every general election."

Suharto also reminded Golkar to not be content to merely take pride in people's interest in the group, but be responsible in performing the duties mandated by the people and in realizing the people's aspirations. [passage omitted]

Suharto said group cadres should use this anniversary to trace the contributions they had made to the people. [passage omitted]

Touching on successes achieved in national development, he said that although development had brought considerable progress to Indonesia, the people and Golkar members should not become complacent. [passage omitted]

House Passes Laws on WTO, Extradition

BK2010142694 Jakarta THE JAKARTA POST in English 13 Oct 94 p 1

[FBIS Transcribed Text] Jakarta (JP)—The House of Representatives (DPR) yesterday approved a law ratifying the establishment of the World Trade Organization (WTO), which will administer the new General Agreement on Tariffs and Trade (GATT) early next year.

In a plenary session led by Sutejo of the Armed Forces (ABRI) faction, the House unanimously passed the WTO law, along with another law on an extradition agreement between Indonesia and Australia.

None of the House's four factions—ABRI, the ruling Golkar [Functional Group], the United Development Party (PPP) and the Indonesian Democratic Party (PDI)—voiced reservations to ratifying the WTO.

The bill on the WTO was submitted by the government to the House on September 3 by Minister of Trade Satrio Budiarjo Judono. On September 30, the House's Commission I, which deals with laws and foreign affairs, formed a special team to deliberate the bill.

The special team effectively deliberated the bill from October 1 to 8, and submitted the results to the commission on October 10. The final draft of the WTO bill was then brought to yesterday's plenary session for ratification.

In yesterday's session, Minister Judono explained to the House the benefits that Indonesia would reap from ratifying the WTO. The average tariffs on Indonesia's products exported to Japan, for instance, will fall to 4.4 percent, to the United States and the European Union to around six percent.

These three economies are the major destinations of Indonesia's exports.

"Many Indonesian products have great chances of entering these three major markets duty free," he said. "Three quarters of Indonesia's exports to Japan and nearly half its exports to the European Union and the United States, for example, will no longer be subject to duties."

However, those three major markets, as well as other potential markets, will be open not only for Indonesian products but also for the products of other GATT signatories, thereby increasing competition.

Dwie Riawenny Nasution of the Golkar faction, therefore, suggested that the government take necessary actions to make Indonesian products more competitive on the world market.

The new GATT was signed by some 125 countries in Marrakesh, Morocco, last April 1 after more than seven years of tough negotiations on free trade of goods and services.

When asked about a study by the World Bank and the Organization of Economic Cooperation and Development (OECD) that projects Indonesia to be a big loser in the agricultural sector after the implementation of the new GATT, Judono called the study out of date and unrealistic.

"The study assumes that Indonesia will be a great rice exporter when trade of this commodity is totally liberated in year 2005. Now you see, the projection of losses from rice exports is simply unrealistic as Indonesia is not a net rice exporter at all," Judono told THE JAKARTA POST.

The minister said Indonesia, as a developing country, is safe enough in the agriculture sector because import tariffs for 300 commodities of agricultural products are set at above its average ceiling of 40 percent.

A duty of 90 percent will be imposed on the first 70,000 tons of imported rice and 180 percent on imports above that, he said.

Former TEMPO Workers Receive Publication Permit

BK2110005994 Jakarta ANTARA in Indonesian 1000 GMT 20 Oct 94

[FBIS Translated Excerpt] Jakarta 20 Oct (ANTARA)—The publisher of the weekly magazine GATRA was awarded a press publication permit today. Permit No.297/SK/MENPEN/SIUPP/C.1/1994 [Number 297/Decree/Minister of Information/Press Publication Permit/Copyright.1/1994] was issued by Dr. Subrata, director general of press and graphics.

"Thank God," were the first few words uttered by GATRA representatives to newsmen in Jakarta today. In general, the staff is identical to that of the banned magazine TEMPO.

Ed Zulverdi, an editorial staff member, introduced the GATRA steering committee. Lukman Setiawan is general manager, Herry Komar chief editor, and H. Mahthum manager of the magazine. The office is on the 12th floor of the Kosgoro Building in central Jakarta. The introductory issue of GATRA will appear this week.

Komar said he would make sure that GATRA will not be under the shadows of TEMPO. He said: "GATRA is GATRA. If by coincidence we are from TEMPO, that is a different issue," he added. [passage omitted]

The publisher of the magazine is PT [company limited] Era Media Information (EMI), a company set up by the Jaya Raya Foundation (major shareholder of PT Grafiti Press and publisher of TEMPO) which holds a 40-percent share. H. Muhammad "Bob" Hassan holds 35 percent and the magazine's staff holds 25 percent. [passage omitted]

* PPP Faction in Parliament Criticized

94SE0254A Jakarta KOMPAS in Indonesian 3 Sep 94 pp 1, 13

[FBIS Translated Text] Jakarta, KOMPAS—Abdurrahman Wahid, a political observer, has said that the leadership of the Central Executive Council of the Development Unity Party (PPP), which is made up of the elitist "old generation," will have a bad influence on the performance of the PPP in the forthcoming general elections. He even expressed concern that first-time voters or members of the Nahdlatul Ulama (NU) [Muslim Scholars] faction in the PPP will abstain from voting or will cast their ballots for the PDI [Indonesian Democracy Party], rather than for the PPP.

Gus Dur, as Abdurrahman Wahid is called by his close friends and who is also chairman of the Executive Council of the NU, told reporters in Jakarta on 2 September: "As a political observer, I consider that the results of the recent party congress of the PPP reflect the condition of the party, which emphasizes power but does not consider reality."

Syansuri Badawi, who refused appointment as a member of the party MPP (Party Consultative Council), also expressed his views on the composition of the PPP Central Executive Council. He said that the Central Executive Council had not been properly constituted. Meanwhile, Yusuf Hasyim, who was appointed deputy chairman of the party Consultative Council, considered that his appointment was improper because he was never contacted.

Gus Dur was asked for his views as an observer on the results of the PPP congress, including the composition of the Central Executive Council for the period from 1994 to 1999. The Central Executive Council was appointed by just five members from the MI [Indonesian Muslim Association] faction of the committee designated to form the council because Matori Abdul Djalil and Syansuri Badawi walked out of the committee meeting. (Reported by KOMPAS on 2 September)

When asked by reporters whether NU members will "move over" to the PDI, Gus Dur said: "It is too early to say whether the Executive Council of the NU faction will urge its members to go over to the PDI. However, I am just one person. If it is necessary to urge them to do so, this will only be done to prevent NU members from abstaining. If they do not all abstain, too many may do so. I think that it would be difficult to urge them to vote for Golkar [Functional Groups party] because there are many of them who have felt that this would not be appropriate from the very beginning. So this leaves a choice between abstaining from voting or voting for the PDI."

Gus Dur continued that in view of the composition of the Central Executive Council of the PPP, which is elitist and has no roots in the party, the position of the PPP in the general elections of 1997 can be estimated or anticipated. He said: "Apart from the problems between the NU and the MI factions in the PPP, the party will naturally move in that direction, that is, toward a decline in its performance."

Furthermore, this situation has been worsened by the unsympathetic handling of young voters who have tended to support the PPP. Gus Dur said: "I hear that NU supporters have been pushed aside. This situation will hurt the PPP. The request by NU supporters for their voices to be heard is something which should be considered."

Gus Dur believes that the position of the PPP will deteriorate in the next general elections. He said: "If the government does not intervene in this matter, that is what I think will happen." He said that the PPP has no clear stance or party identity.

Gus Dur continued that if the PPP adopts a religious stance, the people are bored with slogans which use religion for political purposes. He said: "If the PPP adopts a democratic stance, people will laugh. It is possible for the PDI to adopt a democratic stance because is not its core membership the PNI [the former Indonesian National Party], which had a mass foundation? However, the PPP has no mass foundation."

Religious Leaders Disappointed

Gus Dur said that he had received telephone calls from many religious and NU leaders in the provinces. He said: "The religious leaders said that they were disappointed with the PPP party congress." He added that the composition of the Central Executive Council of the PPP tends to reflect a determination by one faction to win at any price. This group pays no attention to other factions.

Gus Dur said: "It may be that the 'walkout' by Matori Abdul Djalil and Syansuri Badawi was useless. However, do not forget that they worked hard for the PPP. Syansuri Badawi is a very influential local leader. However, I was amazed that Matori, who is attacking the PPP Central Executive Council from the outside and whose protests were not considered by the other five persons on the committee which appointed the Central Executive Council, is still loyal to the party."

Gus Dur, who is also the coordinator of Forum Demokrasi [Democracy Forum], said that the Central Executive Council of the PPP includes a number of persons considered to be from the NU faction of the party. He said: "They forget that there is not one NU member (who is a member of the PPP Central Executive

Council) who has any real influence in the NU. We know better than they do which NU members have influence and which ones do not."

Asked whether his supporters regret the results of such a PPP congress, Gus Dur answered: "No, they do not regret the results. I am speaking for myself. If I express regrets, this will be interpreted as meaning that I have an interest in the PPP."

Asked whether it would not be better if a further dialogue were conducted with the PPP, Gus Dur answered: "That is all right. It is not a matter for the Executive Council of the NU. However, I would say that a number of religious leaders are disappointed with the results of such a congress." He also said that at the present time the views of these religious leaders are no longer being considered by senior leaders of the PPP.

Syansuri Resigns

Meanwhile, Syansuri Badawi, who was appointed deputy chairman of the MPP [Party Consultative Council] of the PPP, said that he was resigning from that position. In a statement distributed to reporters on 2 September Syansuri said that the meeting of PPP leaders who appointed the Party Consultative Council was only attended by five persons: Ismail Hasan Metareum, Mrs. Aisyah Amini, Ali Hardi Kiai Demak, H. Muchsin Bafadal, and Djufri Asmoredjo.

Syansuri said that they imposed their wishes in the appointment of the Central Executive Council of the PPP and paid no attention at all to his views or those of Matori Abdul Djalil. He stated: "And Matori Abdul Djalil also rejected this decision. Therefore, the five of them approved the composition of the PPP Central Executive Council in accordance with their own views."

Furthermore, both of these members of the NU faction of the PPP, who are also members of the PPP faction in Parliament, said that the PPP Central Executive Council, which was approved by the five persons who appointed it, was illegal. Syansuri said: "I refuse to be appointed to the Party Consultative Council and have no responsibility for the composition of the Central Executive Council and the PPP Party Consultative Council."

Meanwhile, Yusuf Hasyim, chairman of the Executive Council for Legislative Affairs of the NU, said that he was surprised to learn that he had been chosen deputy chairman of the PPP Party Consultative Council at the Third PPP Congress held at Haji Pondok Gede Hall in Jakarta. Indeed, he said that up to 2 September none of the seven persons who appointed the Party Consultative Council had contacted him. As to whether he will accept or reject that position he is still engaged in consultations with Abdurrahman Wahid, the general chairman of the Executive Council of the NU.

The statement was sent by Pak Ud (Editor's Note: the nickname for Yusuf Hasyim) to KOMPAS in Jakarta on 2 September. It said: "I am still surprised at the appointment. Political surprises happen in politics every day, every month, and every year. If a person is surprised, do not ask him questions. Because the answers he gives may not respond to the questions."

Pak Ud asked whether the way in which those who appointed the Party Consultative Council went about their job had not ignored some people. He said: "What did they want? I have still not been contacted by them. How did they dare to include the name of a person when they clearly did not know whether he wanted the position or not? That is certainly an improper way to do it. I am not a member of the NU and I have not been asked whether I wanted the position."

Asked whether he was still expecting a visit from a member of the committee which appointed the Party Consultative Council, Pak Ud answered: "What should I be waiting for? They certainly did not want to meet with me. Perhaps later on that will be used as a reason for saying that I did not want to be appointed. Maybe that is the reason, especially if I am not convinced that the PPP Central Executive Council can broaden the party to include whoever wants to join. Later on I might be asked by party members to explain the extent of my responsibility for the party's decline in influence."

Rembang Group Also Surprised

Kholil Bisri, a member of the NU Executive Council, said that religious leaders in the Rembang Group of the NU were also surprised at the results of the work of the committee which appointed the Central Executive Council. This is because there is a "deadlock" resulting from the unwillingness of Buya Ismail to honor the promise which he made to religious leaders in the Rembang Group.

According to Kholil, he, Syansuri Badawi, and Arifin Khan went to meet Buya Ismail at 0600 on 1 September. They told Buya Ismail that a number of religious leaders wanted the NU faction of the PPP to have an equal number of positions on the Central Executive Council of the party for the period from 1994 to 1999.

Kholil added: "We said that the names of candidates for the Central Executive Council should be determined by the religious leaders. Buya should not have seen anything improper in that. Our request was very logical. In the Indonesian Armed Forces things are handled in the same way. If consideration is given to appointing a member of ABRI [Indonesian Armed Forces] to a given position, he still must ask permission from the commander of ABRI. I told Buya in so many words that he had been successful. I congratulated him that the party congress had gone off very well."

Kholil said that Buya Ismail could have accepted the request of the religious leaders, who had been waiting for about one hour before he met them. Kholil stated: "When Buya Ismail did not keep his promise, we felt insulted by his attitude. At the time many PPP members from the MI faction heard Buya make this promise. I know for sure that these included members of the Provincial Executive Council from Aceh." Kholil added that the council was not legally appointed without the signature of the seven persons appointed to approve its composition for the period from 1994 to 1999.

However, Kholil added that the Executive Council of the NU felt that members of the NU faction had very solid support within the PPP. He said: "As a matter of fact, I was amazed at the number of NU officials in the PPP. Although we only have 127 party branches in the PPP, the NU was still able to have two persons included in the seven-member committee appointing the Central Executive Council of the PPP. They were both real leaders."

Congratulations Extended

In a separate development the Ministry of Home Affairs, speaking through H.S.A. Yusacc, chief of its Bureau of Community Relations, extended its congratulations to the PPP. He said: "The minister of home affairs considers that the congress was conducted very well. In this connection the minister extends his congratulations to those who attended the congress." Yusacc said that the minister hopes that the Central Executive Council of the PPP, under General Chairman Ismail Hasan Metareum, will be able to implement the resolutions of the congress approved by those attending it.

Yusacc considered that the results of the PPP congress were very good. He said: "Those who were elected are the best hope of the congress." Asked about the "walkout" of Matori Abdul Djalil and Syansuri Badawi from the committee appointing the Central Executive Council, Yusacc said that this is the sort of thing which can happen at a congress. He said: "However, the congress has achieved maximum results. There are differences everywhere. That is normal." Yusacc added: "The Department of Home Affairs considers that the congress of the PPP was a success." Congratulations to Buya Ismail Hassan Metareum and the entire Central Executive Council of the PPP appointed at the Third Congress of the party also came from Harmoko, the general chairman of Golkar. During the activities connected with his visit to Surakarta on 2 September Harmoko expressed the hope that the PPP, as a national social and political force, can work with Golkar in the field of national development. In this connection Harmoko said that he was convinced that the Third Congress of the PPP which has just ended will bring clear and useful programs to improve the welfare of the people as a whole.

The general chairman of Golkar said that a clear development program is important because since the PJP I [First Long Term Development Program] successfully set out the basic framework for national development, during the present PJP II [Second Long Term Development Program] the Indonesian people are determined to continue and improve the results of development already achieved, in the direction of creating a society which is just in a framework of progress and progressive in a framework of justice, based on the Pancasila [Five Principles of the Nation] and the Constitution of 1945.

* Indosat To Sell Shares on NY Stock Exchange

94SE0259C Jakarta KOMPAS in Indonesian 14 Sep 94 pp 1, 18

[FBIS Translated Text] Jakarta (KOMPAS)—With the sale of 35 percent of its shares to the public, PT [Limited Company] Indosat is the first state-owned enterprise [BUMN] under Deparpostel [Department of Tourism, Post, and Telecommunications] to take privatization action. Twenty-five percent of its shares will be sold on the New York Stock Exchange and another 10 percent on the Jakarta and Surabaya stock exchanges. Indosat Principal Director Tjahjono Soerjodibroto, announced this plan as he and PT Danareksa Principal Director Rustam Effendi appeared at a "public announcement" in Jakarta on Tuesday, 13 September.

Indosat is the first BUMN to sell some of its shares on a foreign stock market and will be the second Indonesian company, after the private petrochemical manufacturer PT Tri Polyta Indonesia, to sell shares on the U.S. stock exchange this year.

The placement of shares of Indosat, which provides international communications services, is planned for 17 October, and the domestic offering of shares exclusively to citizens and/or Indonesian companies will be made from 4 to 12 October.

Tjahjono was not prepared during the program to reveal data on estimated company performance in 1994 or to estimate the price of the initial stock issue. "We are bound by New York capital market regulations," he said. He noted that this "public announcement" is directed only to Indonesian citizens and/or Indonesian legal entities. For that reason, Tjahjono asked reporters from foreign media to leave the press room.

Was this an effort to restrict information? "We are going into the New York exchange and, therefore, must comply with their regulations."

He explained that this privatization is being conducted through issuing new shares, 10 percent of which are to be sold to the public through the domestic stock exchange. Funds from the sale of new shares will be used to pay for implementation of plans for Indosat development and expansion. Indosat will also sell old shares previously owned by the government to the public through the New York Stock Exchange. "Funds from those sales will go to the Indonesian Government," Tjahjono said.

The Danareksa principal director was optimistic that the Indosat shares will sell easily. "Dare to take the risk," he said to reporters. "If they do not sell, Danareksa is prepared to buy 100 percent of the shares that do not sell in Indonesia," he asserted. Danareksa is Indosat's main underwriter for "going public" on the domestic stock market.

Roger B. Suyama, deputy president director of Merrill Lynch Asia Pacific Area, said he could not yet comment on the prospects of the stock on the New York market. "Everything will be determined by the market," he stated.

Suyama added that he also plans to open a branch in Jakarta. Everything is now in the process of negotiation, however, and he could not say when it will take place. According to the plan, he will be in partnership with Hashim Djojohadikusumo.

Indosat's net profit rose from 237.274 billion rupiah in 1992 to 251.492 billion rupiah in 1993. In the first semester of this year (through 30 June), Indosat, which has 1,786 employees, recorded a net profit of 127.557 billion rupiah.

During the last two years, PT Indosat has been the BUMN making the largest tax payment, with a total contribution of 217.4 billion rupiah to the 1994-95 APBN [National Budget]. That amount includes 142.4 billion in income tax and 75 billion rupiah in dividends.

Based on the estimated realization of the 1994 budget, Indosat's contribution to the 1995-96 RAPBN [Draft National Budget] is projected to be 235.9 billion rupiah, an increase of 8.51 percent over the previous year. That figure is the result of an income tax increase of 37.8 billion rupiah (26.54 percent) and a decline of 19.3 billion rupiah (25.73 percent) in dividends.

The lower dividends are a result of PT Indosat's "going public." In accordance with government policy, PT Indosat was permitted to sell up to 35 percent of its stock to the public. The result was that less was paid in dividends to the state.

At this moment, PT Indosat owns stock in six companies, namely PT Lintasarta, PT Bangtelindo, PT Satelindo, ASEAN Cableship Limited, Intelsat, and Inmarsat, with stock control ranging from 0.26 to 16.67 percent. PT Indosat's revenues from stock participation in these companies are expected to be 5.8 billion rupiah in 1994 and to rise to 7.5 billion rupiah in 1995.

Formed in 1967, Indosat originally was a foreign capital investment company as a joint enterprise between the Indonesian Government and International Telephone and Telegraph (ITT). The government bought all of ITT's stock in Indosat, and since then Indosat has been a BUMN. Since 1981, through Presidential Instruction No. 53/1980, Indosat has operated as a provider of international telecommunications services.

Under its business strategy for the future, Indosat plans to strengthen these international telecommunications services by offering new facilities and services, with planned funding at about 41 percent of the total funding planned for 1994-99 (800 billion rupiah).

In addition, the national telecommunications infrastructure will be strengthened with funds of 600 billion rupiah, most of which (536 billion rupiah) will be used for participation in developing telephone channels. The remaining 64 billion rupiah will be used to form a joint enterprise with PT Telkom to manage GSM [global system for mobile communications] cellular services.

Indosat also has a regional telecommunications program with planned funding of 255 billion rupiah, or 13 percent of its 1994-95 investment program. On several pages of its "public announcement" book, Indosat uses the words, "We care more."

* Pertamina, PLN To Exploit Geothermal Power

94SE0249B Jakarta SUARA PEMBARUAN in Indonesian 25 Aug 94 p 5

[FBIS Translated Text] Jakarta, 25 Aug—PT [Limited Company] State Electricity Enterprise (PLN) and Pertamina [National Oil and Natural Gas Company] are planning to set up PT Geothermal Indonesia to optimize the exploitation of geothermal energy for geothermal electric power plants (PLTP's).

PT PLN Principal Director Zuhal said this Wednesday during the visit of Minister of Mining and Energy Ida Bagus Sudjana to the Drajad PLTP Project at Garut.

Minister Sudjana himself said he agreed that PLN and Pertamina should form a separate organization to enhance the exploitation of geothermal energy. "With this cooperation between PLN and Pertamina, there will be more efficiency in optimizing the use of geothermal energy."

"The 'total project' pattern will also be implemented for interested private business. That pattern is good, too," he said.

Zuhal said that following its change of status to a corporation, PLN can compete with the private sector in building PLTP's, and one method is the creation of a separate body in cooperation with Pertamina.

The existence of this body will save time and will be cheaper. PT Geothermal Indonesia will do the work itself, from exploration and geothermal energy production to PLTP construction. This is called the "total project" pattern.

PLN and Pertamina work together, according to their respective portions of the project. He added that PLN is also prepared to do the construction cheaper, at $6.4 per kilowatt, than the private sector, which would charge $7.4 per kilowatt. Fortunately, Pertamina wanted to cooperate, which was immediately approved by the minister.

The production of geothermal energy was previously done by Pertamina production-sharing contractors (KPS's), and PLN built the power plants. Geothermal steam produced by the KPS's was then sold to PLN, and therein lay the expense. The KPS's set high prices. Amoseas, for example, sells steam to PLN for $0.046 per kilowatt-hour.

The contractors sell steam at such prices because, in compliance with KEPPRES [Presidential Decision] No. 49 of 1991, 34 percent of the price of steam must be paid to the state/Pertamina. They also use commercial loans. If PLN itself does the work, the price of steam is zero. Geothermal energy for up to 10 megawatts can be handled by PLN itself, such as at Ulumbu, Flores, in East Nusa Tenggara.

First Phase of 55 Megawatts

The PLN principal director said that in the first year, PT Geothermal Indonesia will build Kamojang PLTP 3 and 4, with capacities of 55 megawatts each, through an investment of $120 million. "We are now looking for funding, and we are fortunate that Pertamina is willing to cooperate. It is possible that the funds will be obtained from bond sales," Zuhal said.

Through Pertamina's production of geothermal energy for Kamojang PLTP 1 and 2, which have a capacity of 140 megawatts, steam is sold to PLN for only $0.025.

Meanwhile several foreign contractors have been attracted to build PLTP's under the "total project" method. These include Unocal, which will build facilities and also produce geothermal energy for Salak PLTP Units 4, 5, and 6 and for the Sarula PLTP. Amoseas has been attracted to Drajad PLTP 2 and 3.

In Repelita VI [Sixth Five-Year Development Plan], PLN has a target of building PLTP's with a capacity of up to 1,000 megawatts.

Besides the Salak PLTP, which is now operating, in 1994 there will also be the Drajad PLTP, with a capacity of 55 megawatts. Of Indonesia's total geothermal potential of 16,000 megawatts, overall PLTP capacity is 309 megawatts.

In 1994, Indonesia ranks fifth in the world in the use of geothermal energy. According to Vincent T. Radja, chief of the Indonesian Geothermal Energy Division of PT PLN, Indonesia will rank second by the year 2000, after the United States with its total PLTP capacity of 3,000 megawatts. Indonesia will not rank first until 2020, when it will have 4,000 megawatts.

The Drajad PLTP, which was visited by Minister of Mining and Energy Sudjana, has a capacity of 55 megawatts through an investment of $73.7 million. The production of its geothermal energy is done by Amoseas, a Pertamina KPS. The plant is expected to be in full operation by October and will join the Java-Bali electricity interconnection network.

Geothermal energy is the newest energy and cannot be exported. The PLTP's in Indonesia (309 megawatts) can save 403 million rupiah per day over the cost of using BBM [petroleum fuels].

* Widespread Wage Violations Reported in Java

94SE0259A Jakarta KOMPAS in Indonesian 14 Sep 94 p 6

[FBIS Translated Text] In East Java, 86.6 percent of companies violate the regional minimum wage (UMR) and get around the UMR by "legal smuggling." This shows the ineffectiveness of the minister of manpower's directive on UMR.

This was the Legal Aid Institute (LBH) finding in four main industrial cities in East Java: Surabaya, Gresik, Sidoardjo, and Malang. These four cities represent 80 percent of the industry in East Java. Research was conducted from July to September by gathering samples from 300 companies.

Munir, S.H. [Master of Laws], chief of the LBH Labor Division, whom KOMPAS interviewed in Surabaya Monday, 12 September, said that when the 88.6 percent is broken down, 33.6 percent directly violate minimum wage provisions by paying workers less than 3,000 rupiah, and 53 percent get around the UMR by "legal smuggling." This means the actual wages paid comply with UMR provisions, i.e., 3,000 rupiah per day, but this sum includes allowances that are injected into the minimum wage component.

"Thus, wages are actually viewed only in the context of amounts paid, without considering other elements of worker welfare and safety. Among the companies studied in East Java, only 13.4 percent truly pay their workers more than the UMR," Munir said.

No Progress

According to Munir, wage conditions as they appear in research findings made from July to September do not show any meaningful improvement. In fact, strikes occurred 300 times during the most recent seven months of 1994, or twice as many as during the same period in 1993.

"It is evident that the 750-rupiah increase in the minimum wage since last year (from 2,250 rupiah to 3,000 rupiah, in compliance with Minister of Manpower Directive No. 32/MEN/1994 Regarding UMR) has not brought any improvement in workers' quality of life," Munir declared.

In 1993, however, 25.8 percent of companies conducted "legal smuggling" to meet the 2,250-rupiah requirement. The Surabaya LBH has from the beginning recorded this modus operandi for paying wages. When to that number was added the 29.8 percent of companies that directly violated UMR provisions stipulated in Minister of Manpower Directive No. 50/MEN/1992, 55.6 percent of companies then did not comply with UMR requirements. "In Malang at that time, there were still companies that paid less than 1,000 rupiah," Munir said.

Premium System

Munir declared that this wage violation phenomenon is increasingly widespread through the emergence of the system of forced overtime for workers, or, as it is called, "compulsory overtime." This means overtime that workers cannot refuse under threat of dismissal. As a result, workers have to work up to 14 hours a day.

In addition, Munir continued, companies violating wage provisions also get around UMR by using "premium" and "target" systems. The real objectives of these two systems are the same, namely as an excuse for companies to avoid their responsibility to fulfill UMR requirements.

The premium wage system, which is widely used by many companies, includes attendance premiums, production premiums, target premiums, and others. Munir said that under these premium systems, companies set up incentives that are paid at the end of the week, with the condition that workers must meet certain attendance or production targets. "If the attendance or target conditions fail to be met just once during the week, the right to a premium is automatically eliminated," he said.

The target system of wage premiums often exists in cigarette factories and is used as a tool to repress old workers. "The method is constantly to increase company production, and old workers unable to meet targets are eliminated," he said.

Laos

Delegation Returns From PRC, DPRK Visits

BK2110020794 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 20 Oct 94

[FBIS Translated Text] After paying friendship visits to the PRC and DPRK at the invitations of the PRC minister of radio, film, and television and the chairman of the DPRK information committee, the delegation of the Ministry of Information and Culture of the Lao People's Democratic Republic [LPDR] headed by Osakan Thammatheva, member of the Central Committee and minister of information and culture, returned to Vientiane on 19 October.

During its visit to the DPRK, the delegation held talks with the chairman of the DPRK Information Committee. The delegations of the two sides reviewed and drew conclusions together on the implementation of the bilateral agreement signed in Vientiane on 31 March. They also consulted with each other on future cooperation. The delegation had the honor of paying a courtesy call on Yi Chong-ok, vice president; and Chang Chol, vice premier and minister of culture and art of the DPRK. The delegation also visited the birthplace of President Kim Il-song, the Kim Il-song monument and museum, the international museum, and many economic establishments.

During its stay in the PRC, the delegation met and exchanged views with Ai Zhisheng, PRC minister of radio, film, and television. The two sides reviewed and drew conclusions together on the implementation of the bilateral agreement signed in Vientiane in 1993 and consulted with one another on future cooperation. The delegation also called on and consulted with the chairman of the PRC radio and film commission and visited a number of radio and television establishments. During the visit, the delegation also held talks with Liu Deyou, deputy minister of culture. It had the particular honor of paying a courtesy call on Wang Guangying, vice chairman of the National People's Congress.

The visits have served to further strengthen the solidarity, friendship, and cooperation between the Ministries of Information and Culture of the LPDR and DPRK as well as between those of the LPDR and the PRC.

Loan Agreement Signed With PRC Delegation

BK2010150394 Vientiane KPL in English 1001 GMT 20 Oct 94

[FBIS Transcribed Text] Vientiane, October 20 (KPL)—China will provide loans of 30 million yuan (Chinese currency) to the Lao PDR [People's Democratic Republic] for the construction of Nam Ko hydropower dam in the northern Oudomsai Province, the construction and installation of transmission line between the dam and the township of Ai, the capital of this northern province.

The loans are born out of an agreement on economic and technical cooperation between the governments of Lao People's Democratic Republic and the People's Republic of China signed here yesterday between Mrs. Khempheng Phonsena and Yang Wensheng, [PRC] deputy minister of foreign trade and economic cooperation, who leads a delegation of economy and trade of China to Laos on its current official visit between 16-20 October.

The loans will be also for the survey of the construction of a hydropower station in the northernmost Phong Saly Province and for the provision of small generators.

The provision of the loans takes effect from November 1994. Yang Wensheng and his delegation yesterday morning called on Khamphoui Keoboualapha, vice prime minister and president of the Committee for Planning and Cooperation. During the cordial and friendly talks, the Chinese delegation expressed thanks to the vice prime minister for his warm greetings and informed him of the outcome of the visit, especially of the consultation on economy, trade and investment discussion with the Lao side, headed by Mrs. Khempheng Phonsena, vice president of the Committee for Planning and Cooperation.

Khamphoui Keoboualapha described the visit by the Chinese delegation a contribution to the strengthening of the traditional relations and friendship between the parties, governments and people of Laos and China. He also expressed gratitude to the Chinese friendly government and people for the support to the cause of the national development and construction of Laos.

Economic Seminar With Thailand Views Ties

BK2010150894 Vientiane KPL in English 1013 GMT 20 Oct 94

[FBIS Transcribed Text] Vientiane, October 20 (KPL)—On October 18 afternoon, a seminar on the new era of the economic relations between Laos and Thailand was held at the Lan Xang hotel.

Among the dignitaries to the seminar were Khamphoui Keoboualapha, Lao vice prime minister and president of the Committee for Planning and Cooperation; Anan Panyarachun, head of the high-ranking economic delegation of the Thailand-Laos Friendship Association; Asa Sarasin, president of the Thailand-Laos Friendship Association; and a number of Lao and Thai businessmen.

The seminar marks the initial stage of the relations and a contribution to the strengthening of the cooperation and assistance between the two associations. It also reviewed strong and weak points in the relations between the businessmen of the two countries, Laos and Thailand, with a view to transform the disadvantages to become beneficial to both sides.

Making the opening speech, Khamphoui Keoboualapha expressed pleasure over and described the Laos visit by the Thai delegation [as] developing economic, cultural, and social relations between the two countries and a symbol of the relations of good neighbourliness and fraternity.

The seminar proceeding until 1730 hours has laid a foundation for the boosting and promotion of economic, cultural and social cooperation and good understanding on the one hand, and provided an opportunity for the Lao and Thai businessmen to exchange views and to learn regulations to lead to the promotion of the development of the two countries' ties, on the other.

On the same day afternoon, the visiting delegation called on Phoun Sipaseut and Khamphoui Keoboualapha, vice premiers of Laos.

* Wartime Savannakhet Commander on Experiences

94SE0252B Vientiane PASASON in Lao 25 Aug 94 p 2

[Unattributed report: "The Movement To Seize Power in Savannakhet (As Told By Colonel Saisamon Onmalivan, head of the Combat Training Unit of the Headquarters General Department)"]

[FBIS Translated Excerpt] A resolution of the Party Central Committee Politburo concerning its evaluation of the condition of the enemy in 1972 made it clear that the situation of the puppets in the south of Vietnam, in Vientiane, and in Cambodia was very weak, especially in the south of Vietnam. In addition, an evaluation by the Party Central Committee Politburo indicated that the situation in Laos would change rapidly so that it was necessary to prepare the forces in all areas to take advantage of this period of opportunity and seize power.

Because of this situation it was felt that the local units and forces of central authority should be made ready. In 1974 I was put in charge of the headquarters for the area nine battle sector. There was a committee of four. I was the head of military operations. Comrade Inkong was the political head, Comrade Siangfong was deputy political head, and Comrade Vanna was the chief of staff. From the end of February to March 1975 we fully prepared our forces to be ready for this situation. Then we had a good opportunity in April. Uncle Nouhak Phoumsavan came down to our sector to start the meeting for preparing our forces to perform these duties. At that time, our area included outer Savannakhet Province, inner Savannakhet Province, and Khammouan Province. There were about 300 people at the meeting. The meeting started on 10 May. Initially the meeting evaluated the situation to prepare our forces completely. The meeting continued until 1400 on 18 May when the radio of region three announced that: "the movement to seize power" in Savannakhet, which consisted of various students and intellectuals, had gathered in large numbers at the provincial offices and organizations to call on our forces to assist them. [passage omitted]

Thailand

U.S. Pushes for Opening Up Services Sector

BK2110085994 Bangkok THE NATION in English 21 Oct 94 p B1

[Report by Surachai Chupaka]

[FBIS Transcribed Text] The United States government has demanded talks with the Thai government on opening the services sector and set as a deadline for reply the end of next month, informed sources said yesterday.

Finance Minister Tharin Nimmanhemin huddled with officials from the Securities and Exchange Commission and Wichit Suphinit, governor of the Bank of Thailand, on a master plan for the development of the financial sector yesterday.

The American push for bilateral talks means that Thai authorities are forced to finish work on the master plan by the end of next month. "We are unlikely to resist and delay the talks," an official, who asked not to be identified, said.

The demand for talks with the Thai government was contained in a recent letter written by Lloyd Bentsen, the US treasury secretary who also represents the US in the Asia-Pacific Economic Cooperation negotiations on liberalization of the finance sector.

Bentsen asked for bilateral negotiations on three topics: opening of the financial sector, a double taxation treaty and privileges for American nationals under the Treaty of Amity.

The Thai government has a three-year master plan for the development of the financial sector, highlighted by a policy to admit new foreign banks in the next few years. The master plan will also be sent to the General Agreement on Tariffs and Trade.

Dr Chaiwat Wibunsswat, senior assistant central bank governor, said the master plan has three scopes: measures to promote competition; policies to turn Bangkok into a regional financial centre; and liberalization.

NSC Decides To End Contacts With Khmer Rouge

BK2110114494 Bangkok SIAM RAT in Thai 21 Oct 94 p 15

[FBIS Translated Excerpt] According to General Charan Kunlawanit, National Security Council [NSC] secretary general, the NSC meeting, chaired by Prime Minister Chuan Likphai, has decided that relations between Thailand and the Khmer Rouge will end. Entries and exits across the border by the Khmer Rouge will cease completely. Contracts which the Thai private sector has with the Khmer Rouge will be maintained, pending consultations with the Cambodian Government. Regarding Khmer Rouge assets in Thailand, the Bank of Thailand is ready to cooperate with the Cambodian Government in this regard.

Concerning border intrusions by armed elements, Thai officials will apply measures which are already in place. People fleeing hostility will not be accepted onto Thai territory, but will be placed in appropriate locations before being returned after the situation normalizes.

The NSC meeting also formed a center for coordination of civilian, police, and military units to control banditry and extortion activities along the Thai-Cambodian border. [passage omitted]

NSC Chief Denies Aiding Cambodian Coup Attempt

BK2110091894 Bangkok THE NATION in English 21 Oct 94 p A4

[FBIS Transcribed Text] National Security Council chief Gen Charan Kunlawanit denied yesterday that he and his close aides were involved in an abortive July coup in Cambodia.

He also pleaded with the Thai media to report news on the subject "carefully" as the controversy "could badly affect Thai international relations".

Charan, who has been keeping a low profile since he and some of his subordinates were recently implicated in the attempted coup, broke his silence to comment that Prime Minister Chuan Likphai was keeping abreast of "all the truths" relating to the failed putsch.

He alleged that "a network exists" which has been conspiring to tarnish his reputation, while the Cambodian government has never mentioned anything about the allegations.

When asked yesterday, Chuan made a brief remark saying that he believed that "the National Security Council had probably not been involved nor have known" anything about the coup.

Army Commander-in-Chief Gen Wimon Wongwanit made the same statement as the premier, saying that he was "confident that the National Security Council did not have a hand" in the putsch.

Charan said he did not know if the premier would call for a probe into news reports aimed against the National Security Council (NSC), but said that his agency had already established a committee to investigate the affair.

"I want to reiterate that we (the NSC) were not involved. Those who reported the allegations should check their information and be more responsible for their news coverage. This is not a joke, but a matter that could badly affect Thai international relations. They should report this matter very carefully," he said.

The general said what was reported in the Thai press here "was not consistent with the information sent by Phnom Penh to the Thai Foreign Ministry."

He alleged that the accusations against him and his aides came from "a network inside our own country".

Phnom Penh has sent to the Thai government a list of 14 Thais including Thai businessmen and Charan's aides whom they wanted to interview for alleged complicity or knowledge about the failed power seizure and made a request in the October 12 note to interview them here.

In an interview early this month with THE NATION, two of Charan's aides, Col Wiwat Witsanuwimon and Col Suphong Sichamnong, whose names were mentioned in the list, admitted to having been in Phnom Penh during the putsch, but denied any involvement in it.

Suphong claimed to be in the Cambodian capital for "a visit to Cambodian friends" while Wiwat for "a leisure trip and for an observation of the general political situation" there which he described as "ripe for a coup bid at any moment".

Col Suphong was one of the three Special Warfare Centre Army officers whom, Army Commander in Chief Gen

Wimon announced on Wednesday, were put on "probation" pending punishment for making a private visit to Cambodia. The two were a lieutenant colonel and a sergeant.

Wimon said yesterday they were punished because they visited Cambodia without officially requesting leave. "To go abroad, you have to ask for leave or it is against the rules and regulations," he said.

Wimon has denied that the Army sent them to Phnom Penh and that they were involved in the putsch. But the Special Warfare Centre had recently made an investigation into their Cambodian trip.

Cambodian Soldiers Criticized for Border Smuggling

BK2010125094 Bangkok SIAM POST in Thai 20 Oct 94 p 2

[FBIS Translated Text] On 19 October, the Foreign Ministry's Information Department issued a news release criticizing Cambodian Government soldiers for stealing cars and clashing with members of the Thai Border Patrol Police on 17 October at the Thai-Cambodian border in Ban Khok Sabaeng, Tambon Tha Kham, Aranyaprathet District, Sa Kaeo Province.

Thai policemen discovered pulleys which were built to pull a raft used to carry stolen cars from Thailand across the border canal to the Cambodian side. While dismantling the pulley, the Thai policemen were fired upon, resulting in a policeman being wounded. The clash which followed lasted about five minutes.

The Information Department said the action of the Cambodian soldiers amounts to another round of provocation. The Thai side has been avoiding and solving the border problems in a peaceful and steadfast manner but has received no cooperation from Cambodian officials at the operational level.

The Foreign Ministry disclosed that Cambodian criminal elements used pulleys to pull rafts carrying stolen cars and motorcycles from the Thai side across the border canal during the rainy season. The rafts also were used to smuggle goods from the Cambodian side. These organized activities reaped considerable profits and were very difficult for Thai officials to suppress.

"The activities of the aforementioned Cambodian criminal elements have been increasing and ever more blatant, creating heavy burden for Thai officials who have been trying to tackle the matter in peaceful and compromising manner."

Iraqi Reconstruction Minister Meets With MP

JN2010153794 Baghdad INA in Arabic 1255 GMT 20 Oct 94

[FBIS Translated Text] Bangkok, 20 Oct (INA)—Mahmud Dhiyab al-Ahmad, [Iraqi] minister of housing and reconstruction, met in Bangkok yesterday with Dr. Krasae Chanawong, head of the Foreign Affairs Committee at the Thai Parliament.

During the meeting, the housing and reconstruction minister said that the fierce campaign fabricated by the U.S. Administration recently to justify prolonging the economic blockade against Iraq has failed to affect the will of the Iraqis as they resist imperialist schemes.

Dr. Krasae expressed the Thai people's solidarity with the steadfast Iraqi people who are under the economic blockade. He called for lifting the blockade as soon as possible. During the meeting, the two officials discussed ways of promoting bilateral relations in all fields.

The minister arrived in Bangkok yesterday, having concluded a visit of several days to China.

* Impact of Libya-Linked Bank Blacklisting

94SE0251A Bangkok ATHIT in Thai 12-18 Aug 94 pp 20, 21

[Article by Uaiphon Taechutrakun]

[FBIS Translated Text] When in the case arising out of the Thai engineers who went to dig tunnels for the Libyan Government, which became a big story at the end of last year, they began to examine witnesses at the first meeting at the court in Chiang Mai, about that time there appeared a new bit of information in financial and banking circles which was no less interesting. This involved the Saha Bank being blacklisted by the United States because "Libyan" masters had become involved. There were many observations about the relationship between the two bits of information which came out in less than a year. They especially stressed the word, "espionage", such as in...

October 1993 and the Libyan Tunnels

In October 1993 a company that recruited Thai workers and that was owned by "Wirot Sakunmuthita," a 38-year-old engineer, was brought to trial for sending Thai workers to work abroad without a permit. It was well-known that the background of the case involved the important work this engineer was doing in Libya, namely, building large tunnels suspected by the great powers opposed to Libya, such as "the United States of America," of being tunnels for producing nuclear weapons. The Thai engineer insisted that the tunnels were to provide safety. But the effect of these tunnels was to make this Thai engineer a defendent at the court in Chiang Mai. On Monday, 8 August 1994, the case was first deliberated after the postponement asked for by the prosecutor. Even though Thailand was proceeding with this case under Thai law, nevertheless the case began with orders from the United States through Thai security units, and it became of interest generally.

July 1994 Libya in the Saha Bank

On 21 July 1994 daily newspapers such as PHUCHATKAN and the DAILY NEWS reported that the

United States had blacklisted the Saha Bank, charging that Libyans were stockholders. In addition, an assistant general manager of the Saha Bank, "Rangsin Supsaeng," was interviewed and confirmed this information. He also explained that the reason for the blacklisting was that the United States had a problem in its relations with Libya and had announced trade sanctions against Libya, which had had this effect on the Saha Bank. The Arab Banking Corporation owned 30 percent of the stock, and, more important, Libyans were among the stockholders of the Arab Banking Corporation, which had three representatives who were members of the bank board of directors: Mr. Abdul Machit Abdulsalam Bris., Mr. Mohammad Mutas Mural, and Mr. Samuel Peter Schuler.

What struck the financial and banking circles was the way that this story about the blacklisting came out. That this report, which would unavoidably affect the Saha Bank, should be announced by an executive of the bank without coming from another source first was unusual. And when ATHIT RAISAPDA asked public relations officials of the bank about this, they explained that "the announcement was made by an executive of the bank, Mr. Rangsin Supsaeng, because a correspondent asked him about the report at the regular monthly party of the Thai Banking Association. He also responded that he did not know the source of the report but it would not affect the Saha Bank because it did not have branches in the United States and that the matter was closed."

The Question Is... Who Started It?

Dr. Phisit Li-atham, the administrator of the Office of the Director of the Bank of Thailand, was one who expressed his views about the blacklisting of the Saha Bank by the United States on television. In response to ATHIT RAISAPDA he said that "the Bank of Thailand has received no reports about this. It is just that a correspondent asked me what effect this would have. I responded that it would have no effect because it was a small matter. And I think that it is normal for the United States to take responsibility for measures that they have announced and for whether they are effective or not such as measures against North Korea, Iraq, and Libya." There was clearly a vigorous investigation underway by the Bank of Thailand to trace this report. Especially curious were the units directly responsible such as "the unit for controlling and developing financial institutions" which was rushing to find the source of the report because such orders had not passed through the Bank of Thailand, which was the normal channel for international communications. One of the Bank of Thailand officials remarked that the goal of the report was to gain an advantage.

Units of the Foreign Ministry were another possible channel for information about the Saha Bank being blacklisted by the United States, but an official in the Middle East unit of the Foreign Ministry, "Mawin", denied to "ATHIT RAISAPDA" that "the Foreign Ministry had received any report about the Saha Bank. The Foreign Ministry does not get involved in such matters except at the request of the banks. This comes just from newspaper reports." This was similar to the responses from the offices of the U.S. news services and USIS which had not received any such orders or documents from the United States. It probably was a report carried just by newspapers.

Meanwhile the various units involved had not received any reports about an order to blacklist the Saha Bank by the United States. It would seem that the 15 units that oversaw the Thai commercial banks, such as the "Thai Banking Association" under Dr. Som Chatusiphithak, would pay a great deal of attention to anyone who was blacklisted, but the director of the Thai Banking Association denied that he had received any information about this. Those involved with financial and banking circles observed that no matter the source of this news, it could not be said with regard to the Saha Bank that there would be "no effect" because of the size of the United States.

In addition a battle had taken place within the Saha Bank which had been widely talked about. It was over control of the bank and was between the "Chonwichan" family and the "Atsawinwichit" family. This was singled out for investigation to provide a background for the blacklisting. It was said that when the problem came up between the two families, a group which held a great deal of stock, the Arab Banking Corporation, was thought to support the Chonwichan family which has now won.

Libya-Tunnels-Espionage?

It is certain that one thing which analysts from many sides would have found very important would have been any connection between the Libyan stockholders in the Saha Bank who held stock through the Arab Banking Corporation and the Thai engineer hired by Libya to dig tunnels as reported earlier, in particular, whether money was lent to the company of the Thai engineer or payments were made through the Saha Bank. But on being asked about this, Wirot Sakunmuthida, the Thai engineer, said: "I have heard about this report, but I do not know much. It probably does not involve me because I did not use the Saha Bank at all."

Amid all this there was still no one who could indicate the origin or the source of the announcement about the blacklisting of the Saha Bank by the United States. It was understandable for the officials of this bank, which was the victim in this case, to keep as quiet about it as possible because there was no better way to handle this situation than to keep it quiet, let it go away as quickly as possible, and let the various aspects be dealt with within the units involved.

As for those who knew a great deal about this, they said that the question of the Thai company which dug the tunnels in Libya was "mysterious and complex" not unlike the charge of the United States that these were secret tunnels for producing nuclear weapons. It has still not come out whether there was "anything to it." If we go back to the end of last year when the news of the tunnels came out, there was one rumor that did not circulate widely but which "caused a big reaction" in one circle, namely the National Security Center. It had been in charge of proceeding against the company which provided the Thai labor for Libya. It had closed the case but reopened it again after the United States said that this was the same company that helped Libya build a nuclear and chemical weapons plant. With regard to the reopening of the case, the owner of the company complained that he had "paid money" to close the case already and it was over... and then without a review of the charges there was a "cleaning out" at the National Security Center. It was cleaned out from the commander down to the important units in October 1993 as ATHIT RAISAPDA reported in detail in the issue of 19-25 November 1993.

Whether the blacklisting of the Saha Bank because of the "Libyan poison" is somehow related to the Libyan tunnels, we will have to wait and see. But one thing that was discovered and which will be discussed a great deal is the question of what is to be done under a system of financial freedom in a world without borders for trade and finances if it is not just Libyans who are coming to buy and sell stock and to own stock in Thai companies but groups which are called "terrorist" or groups which are not considered desirable by the great powers or our neighbors, and they come to control a great deal of stock. What could we do to find out whether trading stock in the system which is always criticized as being like a "gambling den," the Thai Stock Exchange, is not used to launder money or accumulate funds for "espionage"? The stock market public relations officials seemed to be unhappy with these remarks and responded in a manner inappropriate for "public relations" to the question of whether the financial condition or the resources of customers involved in suspicious transfers of money and stock through the stock market could be investigated. Their response was curt, and their irritation could almost be sensed over the phone. They said that this "was not the duty of the stock exchange."

Inasmuch as the financial system is without borders and the large amounts of money are more important that anything else, this might cause irregularities, a lack of insight, and a lack of awareness of the dangers that might occur. And the view of some who feel that the free financial system makes international "espionage" easier is not a world view which is overly pessimistic. Nevertheless this observation may not apply here. It is possible that the reason for the blacklisting by the United States this time is the result of "espionage" resulting from the conflict between the big families involved in the Saha Bank.

* Writer Sees Benefit in Libya Contacts

95P30004

[Editorial Report] The 13 September Bangkok MATICHON in Thai published on page 20 an article by Charan Malulim on the international community's relations with Libya. The article notes Thai exports to Libya and the 25,000 Thai workers in that country.

Charan, the writer of the article, summarizes the 25 years of al-Qadhdhafi's regime citing the Libyans' "refusal to bow down to the United States and his continued resistance to American international policy." He stated that American and British "resentment" toward al-Qadhdhafi has been constant since he forced the Western powers out of their Libyan military bases in 1970. He noted U.S. charges linking Libya with international terrorism exemplified by the 1985 TWA hijacking and the Achille Lauro incident. According to Charan, "anti-Libyan information provided by the CIA was viewed by Western intelligence agencies as weak evidence and, except for Great Britain, Western countries declined to punish the Libyans," then the United States mounted its Gulf of Sidra air attacks.

Charan describes the economic challenges faced by the Libyan regime, noting that even with the post-Lockerbie UN-backed sanctions, Libya "still has the highest per capita income" in North Africa. He comments that Thai-Libyan trade has decreased due to the UN sanctions which continue only because the United States and Britain refuse to accept the Libyan court's ruling that Libyans are "innocent" of involvement in the Lockerbie plane crash. The writer concludes by remarking that "if international conditions improve, there will be future benefits in Thai-Libyan trade."

PDP 'Rebels' To Insist on Assets Disclosure

BK2110093194 Bangkok THE NATION in English 21 Oct 94 pp A1, A4

[FBIS Transcribed Text] Rebellious Phalang Tham [PDP] Cabinet members led by Foreign Minister Prasong Sunsiri are refusing to relinquish their ministerial posts and warned yesterday of an imminent new revolt. The ministers said they prefer to be dropped automatically from the Cabinet when their successors are officially approved next week.

In their latest show of defiance, the rebels said they would continue their campaign against the Phalang Tham's executive body, and warned the coalition government that the nomination of telecommunications tycoon Thaksin Chinnawat as foreign minister may cause trouble for the Chuan administration.

They also challenged PDP leader Chamlong Simuang to keep the much-vaunted party tradition of obliging all PDP ministers to declare their assets when Thaksin actually takes office.

"We set up a historic tradition and we should keep it," said Bangkok MP At-ong Chumsai Na Ayutthaya.

Sources said rebels were also planning to scrutinize tax records of the new PDP ministers when they declare their assets.

Prasong said Chamlong must give him good reasons for resigning from his Foreign Ministry portfolio before the new list of Phalang Tham Cabinet members is approved by HM the King.

"Unless there is a proper reason, I will not tender my resignation. I am a man who respects principles and reasons," Prasong said. He also said he would consult the other rebel Phalang Tham members about resigning. However, he repeated that Cabinet ministers would automatically lose their positions when the new ministers are officially appointed by Royal command.

"We are not passing this problem to the prime minister. When there is a Cabinet reshuffle, it is usual that certain ministers are replaced. I don't know if the prime minister feels uncomfortable, as we have not yet discussed the issue with him," he said.

The other five Phalang Tham ministers who have not yet resigned are Deputy Prime Minister Bunchu Rotchanasathian, Communications Minister Winai Somphong, Deputy Interior Minister Chamni Sakdiset, Deputy Education Minister Adisom Phiangket and PM's Office Minister Chinnawut Sunthomsima.

The five Phalang Tham cabinet members who have given up their ministerial portfolios are Deputy Public Health Minister Udomsin Sisaengnam, Deputy Defence Minister Sombat Rotphohong, University Affairs Minister Suthep Atthakon, Deputy Communications Minister Charat Phuachuai and Deputy Agriculture Minister Thawin Chanprasong.

Chamlong has submitted the list of 11 nominees to replace the outgoing ministers to Prime Minister Chuan Likphai.

In a show of dissatisfaction with the reshuffle, the six rebellious Phalang Tham Cabinet members have questioned the constitutional qualifications of the non-MP nominees, in particular those of Thaksin Chinnawat, former chairman of the Chinnawat Group, alleging conflict of interest.

Prasong would not comment yesterday on the acceptability of the nominees to him and the other rebellious ministers. He denied that the six ministers would submit their resignations to the premier on Monday.

Prasong, when asked if he would stay with Phalang Tham, said, "at present, I am still a Phalang Tham member. But the future is another matter."

Asked what the defiant Cabinet members and MPs would do next, Prasong said "wait and see".

Although he says he is not opposed to any individual, he called for checks on certain nominees to ensure they complied with constitutional requirements because he feared the government would run into trouble if legal problems occurred from the nominations.

Prasong said it was normal for the government to check qualifications of any Cabinet members and nominees, including those of Thaksin.

Wisanu Suggests Clause To Ensure Thaksin Approval

BK2110092994 Bangkok BANGKOK POST in English 21 Oct 94 p 1

[FBIS Transcribed Text] Cabinet secretary-general Wisanu Khrua-ngam suggests a provisional clause in the draft constitution amendment bill should ensure the charter does not disqualify Phalang Tham Cabinet nominee Thaksin Chinnawat.

Mr Wisanu has already cleared Mr Thaksin's constitutional qualifications under the current charter but said yesterday that under the amendment bill being debated in Parliament someone might challenge his qualifications under the new requirements.

"The government has already found a way out of this so as not to violate the constitution. There is still time and the way out of the problem might be for something to be written into the provisional clause in the amendment," Mr Wisanu said.

He declined to elaborate.

Under Article 108 (2) of the current charter, ministers cannot directly or indirectly hold a concession or be a contract partner of any government agency or state enterprise in a way considered to be a monopoly. MPs and senators will be exempted from this requirement if their concessions or contracts were won before they were elected.

Mr Thaksin was deemed qualified under this requirement, although he is neither an MP nor a senator. However, under Article 114 (2) of the amendment draft the exemption is removed and a requirement added that ministers cannot "maintain those concessions" after they take their posts. Mr Thaksin would be disqualified under this requirement because he still has shares in his Chinnawat Computer and Telecommunications Group.

Article 5 of the provisional clause of the charter amendment allows senators or MPs to hold on to their concessions if these have not expired when the new charter comes into effect. This would last only until their concessions expired or their parliamentary status ends. The exemption does not mention the case of a minister who is neither an MP nor a senator.

Prime Minister Chuan Likphai said yesterday that he was waiting for some of the Cabinet nominees to resign their positions in private companies and state enterprises. He would submit the cabinet reshuffle list of the PDP and the New Aspiration Party [NAP] to His Majesty the King on Monday or Tuesday.

Earlier, he said the delay was partly caused by some of the nominees misunderstanding that they could resign their positions after they were appointed ministers. Mr Chuan said that if they waited to do this, it would be in violation of the Constitution.

Mr Chuan said requirements in the amendment charter draft that may disqualify Mr Thaksin's nomination as foreign minister had not emerged yet and it would take some time for the new charter to be ready.

"When that time comes the person with the problem will have to adjust to the new law, not the law being adjusted to suit the person. Whatever form the constitution takes, adjustments will have to be made to be in keeping with its principles," the prime minister said. As for the opposition's gathering of information to censure Mr Thaksin, Mr Chuan said it was their business.

He said that after all the new ministers were sworn in before His Majesty the King the government would consult the new ministers on its policy.

Mr Wisanu yesterday met NAP leader Chawalit Yongchaiyut to coordinate the resignation of the NAP nominee for deputy premier, Sukhawit Rangsitphon, from the posts of governor of the Expressway and Rapid Transit Authority and chairman of the Mass Rapid Transit Authority (MRTA).

He said the NAP's nominee for deputy interior minister Wanmuhammatno Matha, also had not resigned from the post of deputy house speaker. NAP nominee for deputy commerce minister Chatchai Iasakun could not be found as he went to the provinces.

He said two other PDP nominees also could not be contacted as one went to the provinces and another went abroad. However, Mr Wisanu said everything should be done today.

PDP's Sudarat Nominated for Minister Post

BK2110064294 Bangkok THE NATION in English 21 Oct 94 p A4

[FBIS Transcribed Text] Phalang Tham Party [PDP] Secretary-General Sudarat Keyuraphan will become deputy communications minister in the new PDP Cabinet line-up, a well-informed party source said yesterday.

The source said Sudarat would replace an initial candidate, MP Mana Mahasuwirachai (Sisaket), who has been dropped out of the list in the last-minute consideration by PDP leader Chamlong Simuang.

Sudarat yesterday declined confirming or denying that she would become a Cabinet member. She said earlier that she would not take any Cabinet post so that she can devote her time working for the party.

When asked whether Sudarat is suitable for the ministerial post, Prime Minister Chuan Likphai said:

"She can learn the job. No matter how good they (nominees) are, they will have to start learning their job after appointment."

Chat Phatthana MP Phairot Suwannachawi said yesterday the opposition is unlikely to take advantage of the conflict within the Phalang Tham Party to submit a no-confidence motion against the government.

"I am confident that this will not happen," Phairot (Nakhon Ratchasima) said.

"The opposition should give the PDP and the government a chance to work first."

Several PDP MPs, including out-going ministers, were not happy with the party's new Cabinet line-up.

About 20 dissident PDP MPs have declared their opposition to the nomination of two non-MPs, Wichit Suraphongchai and Thaksin Chinnawat, for Cabinet posts.

Foreign Minister Prasong Sunsiri, the most vocal in the group, alleged that his successor, Thaksin, who is a telecommunications magnate, does not meet constitutional requirements because of his business interests.

The conflict inside the PDP led to worries that the opposition may bring on a no-confidence debate. The coalition parties, with 193 MPs, have only a slim majority of 13 members and it was feared that if the 20 dissident PDP MPs did not toe the party line the coalition would lose a no-confidence vote.

Debt Ceiling Set for 1995 Fiscal Year

BK2110090794 Bangkok THE NATION in English 21 Oct 94 p B2

[FBIS Transcribed Text] Thailand's local and foreign debt ceiling for the 1995 fiscal year will be capped at US$3.2 billion or [Thai baht] Bt80 billion to finance 21 major investment schemes and 17 minor projects.

According to the Finance Ministry's resolution yesterday, the highest percentage of the amount, which is unchanged from last year, will be divested to telecommunications projects, while less than 22 per cent is for seven educational projects.

The ceiling will be submitted to the Cabinet early next month for approval, said Somchai Ruchupan, director-general of the Fiscal Policy office, after a meeting of the committee responsible for controlling the country's debt position.

More than 51 per cent of the needed funds will be sought from overseas sources which will extend credit mainly to financially strong state enterprises such as Thai Airways International. About 8 per cent of the ceiling will come from the Asian Development Bank, 20 per cent from the Overseas Economic Cooperation Fund and 16 per cent from the World Bank.

Twenty-one major projects that will consume $2.7 billion belong to 19 state agencies such as the Expressway and Rapid Transit Authority of Thailand, Thai Airways International Plc, Electricity Generating Authority of

Thailand, Bank for Agriculture and Agricultural Cooperatives [BAAC] and Export-Import Bank of Thailand.

"Mostly, they are state enterprises and they asked for more loans to finance ongoing projects. For instance, the BAAC wants $200 million for re-lending to farmers," said Somchai.

About $700 million will go to seven educational programmes such as Chulalongkon University's technology transfer and human resource development projects.

Most of the projects failed to gain access to funds this fiscal year because they have not yet won approval from the responsible agencies, said Somchai.

* Senior Commerce Officials on Insurance Policy

94SE0253A Bangkok THAN SETTHAKIT in Thai 21-24 Aug 94 p 16

[FBIS Translated Text] Commerce Minister Uthai Phimchaichon said that "the interpretation of the Juridical Council that Phaisan Insurance could not expand its branch in Thailand because this would violate the insurance law of 1992 was not incorrect. But we should give more consideration to the interests of the people, and we have to consider the interpretation of the Friendship Treaty between Thailand and the United States. This has not passed the National Assembly yet, but the Foreign Ministry insists that it has been signed and ratified already and so it is in effect. The outcome of this matter will depend on the re-evaluation by the economic policy committee as to whether an insurance company is a financial service or not because these services will be excepted from the Friendship Treaty. This can be done either way. If we want to do it, we will have to change the text of the law."

Chaloemphon Sanitwongchai, an assistant minister of commerce, said that "the question of whether to permit Phaisan Insurance to expand its branch or not will have to await the summary of the study by the economic policy committee to which it was assigned at a cabinet meeting. As for the question of the companies registered as legal entities in Thailand which have foreign ownership above the limit specified by the insurance law, of which there are now five, this has not been brought up for consideration at a meeting. This will probably have to wait for the economic policy committee's summary."

Watana Ratnawichit, the secretary of the Juridical Council, said that "we will have to wait for the economic policy committee to re-evaluate the expansion of the Phaisan Insurance branch because Finance Minister Tharin Nimmanhemin has argued that the proposal of the Commerce Ministry which would allow the company in question to open a branch and which cited the Friendship Treaty between Thailand and the United States, was not correct because this treaty did not supersede the financial laws, and I understand that the Friendship Treaty has some provisions that reserve the financial service sector for the Thai people. I admit that the previous evaluation of the Juridical Council did not consider the Friendship Treaty because the Foreign Ministry indicated that it had not been approved by the National Assembly."

Chalo Fuang-arom, the director of the Department of Commercial Registration, expressed the following view: "I would say that the insurance law of 1992 clearly does not mention the Friendship Treaty or provide exemptions for any country covered by the Friendship Treaty. It is just that under Declaration 281 (PW. 281) of the Revolutionary Council, in section 2, there is a broad statement that this declaration does not apply to foreigners doing business in the Kingdom who have been given permission by the Thai Government for a certain time period or who are operating under an agreement which the Thai Government has entered into with the government of another country. For such countries therefore insurance is probably in that sector excepted from the Friendship Treaty as are banking and finance. So they cannot expand their branch. The problem that should be evaluated in this regard is whether the insurance law of 1992 applies retroactively to businesses registered as legal entities in Thailand with over 25 percent foreign stockholders before this or not. I do not think it should apply retroactively otherwise those companies will have to change from branches to offices of representatives or representative training centers. But if this law applies in such a way that cannot be avoided, we should allow those companies to keep their present branches, but we should not allow them to expand their branches. This matter should be considered by the Insurance Department."

Vietnam

Spokeswoman Details PRC Shipping Violations

BK2010130894 Hong Kong AFP in English 1007 GMT 20 Oct 94

[FBIS Transcribed Text] Hanoi, Oct 20 (AFP)—Vietnam gave details Thursday of recent violations of its waters by Chinese fishing boats which have raised the temperature of a simmering dispute between the rivals ahead of a visit here next month by China's president.

Foreign Ministry spokeswoman Ho The Lan said that since May there had been 10 such violations claimed by Vietnam. She gave details of two incidents during which three vessels were caught in Vietnamese waters in August and September.

"Under the friendly relations between Vietnam and China, Vietnam solved these cases properly on the basis of international law as well as the laws of Vietnam," she said without specifying what this entailed.

Vietnam had called on China to educate its fishermen not to fish in its waters, she said.

On Monday, Hanoi accused Beijing of "systematic and unacceptable" violations in the Gulf of Tonkin and said it reserved the right to defend its territorial waters.

The rising tensions in the dispute come just a month before Chinese president and communist party chief Jiang Zemin is due to arrive in Hanoi in what will be the highest-level visit here by a Chinese leader.

But the Foreign Ministry spokeswoman said the territorial violations had no impact on the visit and that preparations were continuing.

A third round of expert-level border talks were to take place from October 24 until October 30, the spokeswoman announced. So far the negotiations have proceeded at a glacial pace, making limited progress on the land border dispute.

Vietnam was also "gathering further information" on reports that Taiwan is building a lighthouse on one of the South China Sea islands claimed by a number of the littoral nations, Lan said.

She said any such effort would infringe on Vietnam's sovereignty.

Hanoi claims to be the rightful ruler of all the South China Sea islands in the Spratlys and Paracel archipelagos. Malaysia, the Philippines and Brunei also claim some of the Spratlys.

Asked for reaction to two articles published recently by the official Chinese press, the Vietnamese spokeswoman said they were "not in conformity with agreements between the two countries on border disputes, nor were they conducive to negotiations."

China's communist party organ, the People's Daily, published an article praising "patriotic soldiers" who overran the Paracel archipelago in 1974, taking advantage of the crumbling of the South Vietnamese regime.

Guangming Daily, a newspaper aimed at intellectuals, paid homage to the memory of 18 men killed in clashes on one of the islands while "chasing out the Vietnamese invaders and protecting the fatherland."

Since normalising relations in 1992, the neighbours and traditional enemies have continued a ceaseless diplomatic quarrel over islands in the South China Sea, which has intensified as oil companies move into the potentially resource-rich area.

China filed a protest last week over Vietnam's attempts to draw bidders for oil exploration concessions in the Gulf of Tonkin, which Beijing said was "a gross violation of its rights and sovereignty."

Discusses Jiang Zemin Visit

BK2110032594 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 20 Oct 94

[FBIS Translated Text] A spokesman for the Vietnamese Foreign Ministry held a regular news conference in Hanoi on the afternoon of 20 October with the participation of a large number of local and foreign reporters.

In response to a question raised by foreign reporters about the visit to Vietnam next month of Chinese President Jiang Zemin, the spokesman for the Vietnamese Foreign Ministry said: At the invitation of Communist Party of Vietnam General Secretary Do Muoi and SRV President Le Duc Anh, CPC General Secretary and PRC President Jiang Zemin is scheduled to visit Vietnam in late November 1994. The two sides are making active preparations for the visit.

In response to a question raised by NIKKEI and BANGKOK POST reporters concerning Vietnam's application for ASEAN membership, the spokesman for the Vietnamese Foreign Ministry said: The process of joining ASEAN involves many steps which, among other things, include filing an application—signed by our foreign minister—with the foreign minister of the presiding country of ASEAN. The ASEAN foreign ministerial conference held in last July in Bangkok unanimously welcomed Vietnam's becoming an official member of ASEAN. According to these procedures, Minister Nguyen Manh Cam has sent a letter to the Brunei foreign minister, who is the current ASEAN chairman.

Asked by AFP and REUTER reporters about the opening of the liaison offices of Vietnam and the United States, the spokesman for the Vietnamese Foreign Ministry said: What remains to be done is to arrange for housing and the locations of liaison offices. It is hoped that these offices will soon be open before the end of this year.

In addition, the spokesman for the Vietnamese Foreign Ministry also answered many other questions raised by foreign reporters on issues related to Vietnamese-Chinese, Vietnamese-German, and Vietnamese-Cambodian relations.

Ministry Rebuts PRC Continental Shelf Oil Claim

OW2010120494 Hanoi Voice of Vietnam in Mandarin 0830 GMT 20 Oct 94

[From the "News" program]

[FBIS Translated Text] In response to a reporter's question about the Chinese Foreign Ministry spokesman's statement on Vietnamese-foreign joint prospecting and exploitation of petroleum in Vietnam's continental shelf, a Vietnamese Foreign Ministry spokesman pointed out: According to the provisions of the International Convention on Maritime Law, adopted by the United Nations in 1982, this area falls entirely within Vietnam's continental shelf. Vietnam has time and again explicitly stated that the petroleum exploration contract signed between China's Ocean Petroleum Corporation and the U.S. (Creston) Company is totally illegal and is not at all valid. Over a long time, Vietnam has set up facilities in this area and has carried out, either on its own or jointly with foreign companies, normal activities aimed at prospecting and exploiting natural resources in Vietnam's continental shelf. In accordance with the provisions of international laws, Vietnam will continue to exercise its indisputable sovereignty over its exclusive economic zone and continental shelf, and no country has the right to obstruct Vietnam's exercise of its sovereignty. Vietnam is very much concerned with the Chinese side's wrong claims and solemnly demands that the Chinese side heed this question.

Group Attends ESCAP Ministerial Conference

BK2110092494 Hanoi VNA in English 0651 GMT 21 Oct 94

[FBIS Transcribed Text] Hanoi VNA October 21—A Vietnamese delegation led by Deputy Foreign Minister Le Mai attended the ministerial conference of the United Nations' Economic and Social Commission for Asia and the Pacific (ESCAP) in Manila, the Philippines, from October 12-18.

The conference was held in preparation for the world summit on social development to be held in Copenhagen (Denmark) in March next [word indistinct].

The Vietnamese delegation actively engaged in compiling the conference's documentation including the agenda for action on social development in the region, by speaking out on the Vietnamese party and state's policies on and Vietnam's settlement of relevant issues.

Commentary Acknowledges Years of Swedish Support

BK2110133794 Hanoi Voice of Vietnam in English 1000 GMT 20 Oct 94

[Station commentary]

[FBIS Transcribed Text] Vietnam and Sweden have signed a cooperation agreement on energy stretched out for four years from July 1994 to June 1998. Signatories were Deputy Minister of Energy Nguyen Duc Phan and Swedish Ambassador to Hanoi Rolf Salme. Our radio comments:

Sweden is one of the first Scandinavian countries to offer long-time support for Vietnam in its struggle for national liberation. Former Swedish Prime Minister Olof Palme was a very close friend of Vietnamese people, and made great contributions to friendly relations and cooperation between Sweden and Vietnam. He was one of those [word indistinct] demonstrated against the unjustifiable war of the imperialism against Vietnam. He helped Vietnam overcome its difficulties of the war by providing humanitarian aid, in putting funds for the construction of the Swedish hospital for children, and the Bai Bang pulp and paper mill.

Since then, the Vietnamese Government and people always receive precious assistance from the Swedish Government and people. When Vietnam began its economic renovation, relations and cooperation between the two countries were strengthened even further and developed in many fields. The two countries exchanged a number of high level visits and important agreements were signed including agreement on the avoidance of double taxation, and the agreement on investment protection and encouragement. These agreements laid a legal foundation for further development of bilateral relations. In recent years, Sweden has granted Vietnam aid worth $1.3 billion. Trade ties have also increased with two-way trade turnover of 280 million U.S. dollars in 1993, a 3.5 times increase in comparison with that of 1992.

The energy agreement involves investment from Sweden. Through the Swedish International Development Authority, the Swedish Government will disperse 120 million Swedish krona as a grant to Vietnam. The agreement is to help the Power Companies No. 1, 2, and 3 of the Ministry of Energy in consultancy, personnel training, upgrading and rehabilitating the national electricity system, spare parts, [word indistinct], and a regulating center in Ho Chi Minh City. The total amount of the agreement will be 200 million krona. Sweden's cooperation in plants and projects in Vietnam in the past as well as at present has proved the Swedish Government and people's sentiment towards Vietnam. Vietnam is very grateful to the Swedish people and government for the precious support and assistance.

Further on Ninth National Assembly Session

Leaders Address Opening

BK2010135494 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 20 Oct 94

[Report on opening session of Ninth National Assembly's Sixth Session at the Ba Dinh Conference Hall in Hanoi on 20 October]

[FBIS Translated Text] Dear friends: The Ninth National Assembly's Sixth Session opened solemnly at the Ba Dinh Conference Hall in Hanoi this morning. Prior to the opening session, party and state leaders and National Assembly deputies laid wreaths at the Memorial Monument for Fallen Heroes on Bac Son Road and paid a floral tribute to President Ho Chi Minh at his mausoleum.

At 0900, after the national anthem was played, the session began.

Attending the opening ceremony were General Secretary Do Muoi, President Le Duc Anh, Prime Minister Vo Van Kiet; Le Quang Dao, chairman of the Vietnam Fatherland Front Central Committee; Pham Van Dong and Vo Chi Cong, Central Committee advisers; many other party and state leaders, and the Hanoi diplomatic corps.

National Assembly Chairman Nong Duc Manh delivered the opening speech. After explaining the reasons for convening the year-end session earlier than usual, he stressed the damage caused by typhoons and floods to some northern and central provinces, especially those in the Mekong River delta. He said that despite this calamity, the gross output of grain is likely to be commendable thanks to the great efforts of our countrymen. Industrial production, communications and transportation, and services sectors are developing consistently, as are foreign economic, cultural, and social activities. The economic structure is developing gradually in the right direction, thereby creating favorable conditions for accelerating the national industrialization and modernization processes in the days ahead. Nong Duc Manh said:

[Begin Nong Duc Manh recording] Dear National Assembly deputies: The Ninth National Assembly's Sixth Session is convening at a time when our people continue to prepare in anticipation of our major anniversaries in 1994 and 1995. We are making great efforts to bring our country into a new stage of development so as to fulfill the goals of making our people prosperous, our country powerful, and our society equitable and civilized. The opening of this session coincides with the 64th anniversary of the Vietnam Women's Union. On this occasion and on behalf of the National Assembly, I would like to convey my warm greetings to the heroic mothers of fallen soldiers and all Vietnamese women who have always been worthy of golden words: heroic, indomitable, generous, and competent people admired by our esteemed beloved President Ho Chi Minh. [applause]. I would like to convey my best wishes for good health and happiness to all female deputies. Recently various sectors, echelons, localities, and people throughout the country have worked hard to prepare for the election of people's councils at various levels for the 1994-99 term, to ensure that they are carried out in true democratic and economic style and in accordance with the law. While enjoying the present favorable conditions, we must strive to overcome numerous difficulties and obstacles, especially the great losses of life and property caused by typhoons and flash floods in some northern and central regions, especially provinces in the Mekong River delta. The National Assembly calls on various sectors, echelons, combatants, and our countrymen at home and abroad to practice thrift in production and consumption while developing our fine tradition of helping one another by continuing to support and help those in typhoon and flood-stricken areas to quickly stabilize their production and daily lives.

In this spirit, I earnestly urge all deputies to develop the democratic spirit, contribute many ideas, and discuss concrete measures to contribute to satisfactorily fulfilling the agenda of this session. I hereby declare the Ninth National Assembly's Sixth Session open. [applause] [end recording]

Dear friends: After the opening speech by Nong Duc Manh, Prime Minister Vo Van Kiet delivered a government report on implementation of the National Assembly resolution on tasks for 1994 and the orientations and tasks for 1995.

After pointing out various central tasks of 1994, such as the collection of state revenues, expenditure of a huge amount of the state budget, efforts to regulate currency circulation, and efforts to cope with the natural calamity that caused heavy losses, killed hundreds of people, and damaged many projects, houses, and properties worth hundreds of billions of dong, Vo Van Kiet said that we have made many important achievements despite these losses. Appraising the 1994 situation, Vo Van Kiet said:

[Begin Vo Van Kiet recording] Gross domestic product in 1994 may increase 8.5 percent against the projection of 8 percent. Industrial production is up by 13 percent, compared with the projected 11 percent. Agriculture and forestry production are up 4 percent, despite major national disasters. Import-export value is estimated at $3.6 billion, an increase of 20.8 percent.

Therefore, since 1989 our economy has grown continuously at an annual rate of more than 5 percent. From 1991-1995, gross domestic product actually increased at an average rate of 7.8 percent against the projected 5.6 percent. Many important economic targets for 1995—including the gross domestic product, industrial output, agricultural production, and production of foodstuffs, crude oil, cement, steel, and other commodities—were reached or exceeded in 1994. Total retail spending on goods has increased about 70 percent, with price index increases more than 10 percent. Currency exchange rates and the price of gold have not fluctuated greatly. Budget revenues may increase 27 percent, an increase of 10.8 percent over the target approved by the National Assembly. [end recording]

Besides important achievements recorded in the last nine months, we also have exhibited numerous weaknesses. The prime minister's report reveals that generally speaking, the economy has not developed sufficiently. The economic capabilities and efficiency are limited in many ways. The financial and monetary system has not been able to catch up with economic development. The state management apparatus is still bulky and permeated with superfluous procedures. Foreign economic relations continue to display weaknesses and show poor understanding of the fierce competition that our country encounters when it enters the international economy. After analyzing major causes leading to these limitations, the prime minister's report outlines the following six major tasks for 1995:

—urgently renovating the financial and monetary system
—improving the quality of development planning
—developing the integrated strength of various economic sectors
—exploiting new advantages to develop foreign economic relations
—renovating the education system and paying attention to providing necessary training
—reforming the national administrative system in conjunction with efforts in economic renovation.

After mentioning these issues, the prime minister emphasized:

[Begin Vo Van Kiet recording] In the great field of socioeconomic activities for next year, the six tasks that I have mentioned are very important. They represent a close synthesis of economic renovation with administrative reform. The practical acceleration of those six tasks will speed up the entire process of national renovation and development, thus creating concrete achievements in 1995 and providing the means for strong development in subsequent years. [end recording]

Dear friends: After Vo Van Kiet presented his report, Finance Minister Ho Te reported on the situation regarding the implementation of the 1994 state budget, on the 1995 state budget estimate, and on the final balance for the 1993 state budget.

In the afternoon, Ho Te continued to report on the final balance for the 1993 state budget. Minister Hoang Duc Nghi, chairman of the State Commission for Ethnic Minorities and Mountain Region, reported on socioeconomic development in ethnic minority and mountainous regions.

On 21 October the National Assembly will continue to work in the conference hall.

Vo Van Kiet Report, Part One

BK2110095994 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 20 Oct 94

["First installment" of Prime Minister Vo Van Kiet's socioeconomic report delivered at the opening of the Ninth National Assembly's Sixth Session in Hanoi on 20 October—read by announcer]

[FBIS Translated Text] I. Evaluating the situation in 1994.

By considering the situation during the past ninth months and making a projection for the whole year, we see a general appraisal of results in implementing 1994 tasks set by the Ninth National Assembly's fourth session in December 1993.

There are some remarkable achievements:

1. The socioeconomic achievements attained in the previous years have been consolidated and developed to a higher level. We have been able to maintain a satisfactory growth rate, continue to stabilize our macroeconomy, strengthen investment and development, and initially develop our economic structure along a positive line, thereby creating favorable conditions for development in the days ahead. The Gross Domestic Product in 1994 might increase 8.5 percent against the projection of 8 percent. Industrial production is up 13 percent, compared with the projected 11 percent. Agriculture and forestry production are up 4 percent despite major natural disasters. Import-export value is estimated at $3.6 billion, an increase of 20.8 percent. Therefore, since 1989 our national economy has grown continuously at an annual rate of more than 5 percent. During the first four years of implementing the 1991-95 five-year plan, gross domestic product actually increased at an average rate of 7.8 percent against the projected 5 to 6 percent. Many important economic targets set for 1995—including the gross domestic product; industrial output; agricultural production; and production of foodstuffs, crude oil, cement, and steel—were fulfilled and exceeded in 1994. Total retail spending on goods has increased about 70 percent, with the price index increasing by more than 10 percent. Currency exchange rates and the price of gold have not fluctuated greatly. Budget revenues may increase by 27 percent, or 10.8 percent over the target approved by the National Assembly. More loans have been provided for peasant households and non-state production establishments as compared to the previous year. Although we could not contain the inflation rate at one digit as set by the National Assembly resolution, the increased price index is 9.9 percent as of September. This reflects the real market situation in which the price of grain and foodstuffs has increased, thereby benefiting the peasants. Generally speaking, the market is still stable.

Capital construction investment throughout the country is expected to increase by 36 percent and direct foreign investment volume by 60 percent. In addition to various small and medium-scale investment projects carried out by state-run enterprises to change their equipment and expand production and business, and by the people to increase the agroforestry and fishery output and to improve the small industrial and handicraft production and other services, a number of important projects, especially those related to electricity, cement, and communications have taken shape. This has strengthened our material-technical bases for the new pace of development.

The operation of the North-South 500-kilovolt power line has created a unified national power grid, thereby contributing to accelerating the development of new industrial complexes and cities, improving the people's daily activities, increasing state revenue collection, and saving other kinds of energy.

The oil and gas industry has consistently increased its output while enjoying great potential thanks to newly discovered oil and gas deposits which will be exploited soon. Laying a natural gas pipeline from the sea to the mainland will be completed soon. The civil aviation and post and telecommunications sectors have made remarkable headway. The railway, sea, and road transport sectors have made new progress.

Concerning cooperation with foreign countries, as of September we had granted 1,000 licenses to investment projects with a total registered capital of $10 billion. A number of industrial complexes are being built. Several direct foreign investment projects related to the production of cement and electronic products, steel processing, assembling and creative engineering, manufacturing of foodstuffs and consumer goods, and hotels and tourism are being carried out and should be completed soon, thereby contributing to enhancing the production capabilities of our national economy.

The economic structure, which seems to have remained the same after nearly a decade, has initially undergone some changes. The ratio of industry in Gross Domestic Product increased from 18.8 percent in 1990 to 22 percent at present. During the same period, various service sectors also increased their ratios from 36.3 percent to 39 percent. Agricultural production continued to increase fairly well in terms of absolute valence numbers. [sentence as heard] However, its ratio fell from 40.3 percent to 35 percent.

When first shifting to the market system, many enterprises were confused because they had to accept competition and to operate more effectively. Nearly half of the number of state enterprises had to be reorganized or deactivated. Thanks to efforts to rectify themselves organizationally and managerially, and to exploit advantages in their economic relations with foreign countries, more and more enterprises have now been able to gradually renovate their technologies and expand the market. As a result, they have been able to not only stand on their own feet, but also to achieve development.

On the basis of these changes, the government has rearranged various coal, electricity, cement, weaving, rubber, maritime, tobacco, and sugar cane enterprises and has experimented with turning a number of other state enterprises into major business organizations. While individual and private economies and other forms of joint ownership have developed faster than in preceding years, the state economy has still been able to increase its ratio in the national economy and develop its affect on various key sectors, especially in the area of meeting public demands for products and services catering to production and life for the entire society. In small industry and handicrafts, there have emerged a number of forms of share holding cooperation which have been welcomed by the people.

In the countryside, the right to autonomy and the dynamism of the peasant households-based economy promoted under the new policies has led to the formation and development of a new mode of economic cooperation under many forms in a number of localities. Today, various state farms and forestry sites and cooperatives have concentrated chiefly on providing support services to agricultural production and business at the input and output stages.

In order to create a scientific basis for the orientations for effecting a change in the economic structure and to rationally balance the production force and population right from the beginning of the industrialization and modernization process, in 1994 we have carried out planning for the development of various zones, particularly key economic zones and urban areas. While quickly exploiting the advantages of various vital areas, providing support and guidance for development of difficulty-plagued areas, especially high-lying mountain regions and rural areas which are difficult to access, has been given more attention with many substantive policies.

The above factors together with the food grain issue being steadily resolved on a national scale have prompted a change in the production structure in the countryside in the direction of exploiting the advantages of each locality, expeditiously increasing the ratio of goods and meeting the market demands.

These changes are being expanded in many areas, thus repelling the state of self containment, self support, and self sufficiency, depending merely on the mono-cropping of rice. Many land-scarce areas which were still poor and had to depend mainly on rice production a few years ago have now become well off and are on a rising trend because they have found a way to renovate their production structure and create many branches and occupations.

The areas of denuded land and bare hills which previously seemed to represent poverty and drought have gradually been regreened with an appropriate crop pattern and have been managed in accordance with the new mechanism. This has quickly increased the income of local residents and has contributed duly to protecting the living habitat.

2. The carrying out of economic development in combination with the resolution of cultural and social problems last year has gained new momentum and has produced greater results than previously. The economic growth rate and the changes in the economic structure along with expanding the scope of investment have increased opportunities to resolve employment for hundreds of thousands of laborers. The state of job scarcity in urban and rural areas has eased. So far, the power network has reached 50 percent of the villages. Many impoverished households have striven to surge forward with the effective assistance provided by the government and by various sectors, mass organizations, and the people at large. The policy toward the people credited with meritorious deeds toward the country has been revised to help them with material assistance and to increase their moral value. Assisted by the government, various impoverished areas have striven hard to find new ways to achieve development in order to eradicate hunger and poverty. Thanks to these efforts, we have been able to basically end the chronic food shortage during the pre-harvest period. The livelihood of a large number of people in many areas has improved. The number of impoverished households has been reduced and the difficulties in living conditions have also become less acute.

Generally speaking, the mountain regions and areas inhabited by ethnic minority compatriots have made progress in a number of domains. Efforts have been made to effect changes in production patterns, bring into play the strong points of each locality, carry out forest protection and reforestation, and implement programs to cover hilly areas and denuded land with greenery. At the same time, steps have been taken to allot forest and forest land to the people. As of late 1994, a total of 5 million hectares of forest and forest land has been allotted. Progress has also been made in infrastructure building, water supply, public health care, education, and cultural development. More boarding schools have been built in areas inhabited by ethnic minority compatriots. The epidemics and disease control and prevention campaign has reached out to hamlets and villages. As a result, the people in a number of areas find it less difficult to make ends meet. The number of households that have enough to eat or that are better-off has increased. Noteworthy is the fact that many localities have effected changes in their production patterns.

The educational sector has begun to overcome a situation in which both the scale and quality of teaching activities have deteriorated for many years. Many localities have succeeded in building more material facilities and in overcoming an unhealthy situation in which schools have to make arrangements for students to study in three shifts. The number of students has increased at all levels. The percentage of students of school age who do not attend or drop out of school has decreased compared with past years and more importance has been attached to the quality of education. The university system has been reorganized a step further with the establishment of a national university in Hanoi and with efforts currently being made to set up another national university in Ho Chi Minh City and a number of local universities in other localities.

Due efforts have been made to provide training and retraining to cadres, government officials, and technicians. The growing needs for vocational, foreign language, and computer training have been met more satisfactorily. Scientific and technological research work have drawn the interest of many people from different institutes, schools, and agencies as well as from a number of production facilities. It has also made good use of the contributions of intellectuals in foreign countries. Concentrated efforts have been made to organize and direct key projects. The results of a number of research projects have begun to make their presence felt in life, particularly when it comes to applying new technologies. Steps have already been taken to expand this task following the promulgation of the law on environmental protection.

New progress has been made in information, culture, physical education, and sports both at the grass roots level where these activities bear a strong mass character and also at a higher level where more selected activities are involved. Due efforts have been made to develop the nation's cultural values and historical traditions, particularly on major anniversaries. Continued efforts have been made to broaden radio and television programs and improve their contents step by step.

Despite very tight budget constraints, we have made every effort to gradually improve the public health care network, particularly at the grass roots level. Steps have already been taken to do away with the situation in which no medical facilities are available in villages. More than 300 additional village dispensaries have been built. Many national disease prevention and control programs have been effectively implemented, particularly when it comes to fighting against malaria and goiter. The immunization program has benefited more than 80 percent of our children. Efforts are being made to achieve the goal of doing away with polio at an early date.

Considerable progress has been made in family planning. Thanks to increased funding, open budget allocation to the localities to meet projected goals, and establishment of networks in villages and wards, the birth rate has begun to decrease for the first time. The HIV and AIDS prevention and control campaign has been accelerated on a more frequent basis. More resolute measures have been taken to carry on the movement against the evils of drug addiction, prostitution, and gambling. Educational and correctional activities have been combined with stern measures. As a general evaluation, it can be said that on the cultural and social fronts, more marked progress has been made in 1994 than in previous years.

3. National security and defense have been firmly consolidated. The socioeconomic achievements in 1994 have greatly contributed to consolidating social security and order as well as national defense capabilities. Basically, by making efforts to step up activities to consolidate social security at the grass roots level, we have succeeded in maintaining social security and order, in guaranteeing conditions for the people to live in peace, and in firmly safeguarding political stability.

Under the new conditions for national development, there have emerged new models in which the people take on the responsibility of safeguarding local social security and order in the framework of the mass movement to participate in this task on a voluntary basis.

Our army has continued to replenish its strength. The strategies and tactics of people's warfare have been perfected a step further to meet the national defense requirements in the new stage and, henceforth, have led to a proper troop deployment pattern. Due attention has constantly been paid to national security in border and sea areas as well as on islands. Under the permissible conditions of the nation, the party and state have made due efforts to look after the living conditions of cadres and combatants of the Armed Forces and have sought ways to satisfactorily implement the rear-Army policy and other policies toward war invalids, fallen combatants, and families that render meritorious services to the nation.

21 Oct Morning Proceedings

BK2110095594 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 21 Oct 94

[FBIS Translated Text] This morning, 21 October, the Ninth National Assembly's sixth session continued its work at Ba Dinh Conference Hall in Hanoi under the direction of National Assembly Chairman Nong Duc Manh.

The National Assembly heard reports by members of the government and representatives of National Assembly committees as follows:

—State Inspector-General Nguyen Ky Cam reported on the implementation of the National Assembly's resolution on practicing thrift and opposing wasteful spending, corruption, and smuggling.

—Deputy Foreign Minister Nguyen Dy Nien reported on state external activities in 1994.

—Ly Tai Luan, vice chairman of the National Assembly Economic and Budget Committee reported on the socioeconomic situation and state budget in 1994 and the socioeconomic orientations and tasks and the estimated state budget for 1995.

—Tran Van Nhan, vice chairman of the National Assembly Economic and Budget Committee read an investigative report on the final account of the 1993 state budget.

This afternoon, the National Assembly will continue its work at the conference hall.

Prime Minister Fires Ba Ria-Vung Tau Officials

BK2110050494 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 20 Oct 94

[FBIS Translated Text] The prime minister on 10 October signed Decision No. 561-TTG on the following disciplinary measures to be taken against those, both collectively and individually, who have committed irregularities in the implementation of the housing and land policy in Ba Ria-Vung Tau Province.

—Reprimanding the Ba Ria-Vung Tau Province People's Committee.

—Dismissing Comrade Nguyen Minh Ninh, chairman of the province people's committee.

—Dismissing Comrade Nguyen Van Han, vice chairman of the province people's committee.

Leaders Meet Light Industry Ministry Officials

BK2010102594 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 19 Oct 94

[FBIS Translated Text] On 14 October, Prime Minister Vo Van Kiet and Deputy Prime Minister Tran Duc Luong had a working session with leading officials of the Ministry of Light Industry on the work orientations and organization of Vietnam's textile and tobacco industries. After being briefed by Minister Dang Vu Chu on the operations, development orientations, and proposed reorganization of Vietnam's textile and tobacco industries, Prime Minister Vo Van Kiet expressed his views, clearly pointing out that the textile industry plays an important role in the national economy and covers a large area of activities from raw materials to finished products, thereby generating many jobs for the working people. It is necessary for the textile industry to meet both the people's clothing needs and the requirements for materials to make garments for export through efforts to modernize equipment and technology and improve product designs. It is important to attach equal importance to all steps—printing, dyeing, and finishing—as well as improve the quality of materials of all types to limit the imports of foreign-made fabrics and make inroads into the domestic market at an early date.

Regarding the organization of the textile industry, the prime minister stressed the immediate need to set up the Vietnam Textile General Corporation based on the importance of efforts to restructure textile facilities under the management of the Ministry of Light Industry and provinces and cities, as well as business establishments and units of the cotton, silkworm, and mulburry sectors under the management of the Ministry of Agriculture and Food Industry.

The prime minister concurred with a proposal of the Ministry of Light Industry to set up the Vietnam Tobacco General Corporation. Except for a small number of production facilities that need to be retained on a short-term basis in some localities, the general corporation should become operational right from the very start of 1995.

Government To Control Flight Information Region

BK2010103694 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 19 Oct 94

[FBIS Translated Text] In compliance with a resolution of the International Civil Aviation Organization, ICAO, Vietnam will assume control over the Ho Chi Minh FIR [Flight Information Region] in December. For years, Vietnam has invested hundreds of millions of dollars to install a system of modern equipment, upgrade various international airports, and provide training for personnel in six areas of work recommended by the ICAO, for example, airport operations, airport support equipment, air traffic work, information dissemination, communications, meteorology, and search and rescue operations within the Ho Chi Minh FIR.

The civil aviation sector has also paid attention to building a contingent of qualified air controllers and has arranged for personnel to undergo on-the-job training in these fields in New Zealand and Thailand.

Australia

Foreign Attempts To Acquire Nuclear Technology

LD2110091994 Melbourne Radio Australia in English 0900 GMT 21 Oct 94

[FBIS Transcribed Text] Australia's secret service organization says it has investigated attempts by foreign countries to acquire Australian technology to make nuclear weapons. Anne Barker reports that the information is contained in the annual report of the Australian Security Intelligence Organization, ASIO.

[Barker] Since last year ASIO has investigated 14 attempts by foreign powers to secretly acquire Australian materials or technology for the proliferation of nuclear weapons. The report says proliferating countries have relied on either the conscious or unwitting assistance of Australian companies or business people. As a result of the investigations, several Australian businesses have severed connections with customers representing proliferation programs, or stopped shipments.

ASIO has warned the increasing proliferation of weapons of mass destruction throughout the world is a growing threat to global security. It says the demise of the Soviet Union, the relaxation of border controls in Europe, and the willingness of some business people to capitalize on weapons markets have contributed to the traffic.

Government Rejects Criticism of Role in PNG

LD2010121594 Melbourne Radio Australia in English 1000 GMT 20 Oct 94

[FBIS Transcribed Text] Australia has rejected Fijian media criticism of its role in the peacekeeping force sent to Bougainville Island in Papua New Guinea which has been the site of a secessionist conflict for five years.

Criticisms included the claim that Australia was using the operation to advance its own interests. The Australian Embassy in Suva has also denied reports of confusion in the chain of command of the peacekeeping force which pulled out of Bougainville this week after the failure of peace talks.

Australian Brigadier Peter Abigail was in overall command of the peacekeeping operation, while a Fijian officer was ground commander of the 400 peacekeeping troops from Fiji, Tonga, and Vanuatu.

The Australian statement was in response to stories in the FIJI TIMES newspaper that sent a reporter to Bougainville for the talks.

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